



State of Michigan
Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2001

JOHN ENGLER
Governor

DON GILMER
State Budget Director
Office of the State Budget

LEON E. HANK, CPA
Director
Office of Financial Management

TABLE OF CONTENTS

	Page
I. INTRODUCTORY SECTION	
Title page	1
Table of Contents.....	2
Letter of Transmittal.....	4
Certificate of Achievement.....	8
State Organizational Structure	9
Principal State Officials.....	10
II. FINANCIAL SECTION	
Independent Auditor's Report	11
Management's Discussion and Analysis.....	13
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets.....	21
Statement of Activities.....	23
Governmental Fund Financial Statements	
Balance Sheet	26
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets.	27
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	29
Proprietary Fund Financial Statements	
Statement of Net Assets.....	31
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	32
Statement of Cash Flows.....	33
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	36
Statement of Changes in Fiduciary Net Assets.....	37
Component Unit Financial Statements	
Statement of Net Assets.....	39
Statement of Activities	40
Index for Notes to Financial Statements.....	42
Notes to Financial Statements.....	43
Required Supplementary Information Other Than Management's Discussion and Analysis	
Budgetary Comparison Schedule - Major Governmental Funds	86
Budgetary Comparison Schedule - Budget-to-GAAP Reconciliation	88
Notes to Required Supplementary Information – Budgetary Reporting	89
Information About Infrastructure Assets Reported Using the Modified Approach	90
Combining and Individual Fund Statements and Schedules – Non-Major Funds	
Governmental Funds	
Balance Sheet - By Fund Type	92
Statement of Revenues, Expenses and Changes in Fund Balance - By Fund Type.....	93
Special Revenue Funds – By Classification	
Balance Sheet	94
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	96
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	97
Special Revenue Funds - Transportation Related:	
Combining Balance Sheet	101
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	103
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	105
Special Revenue Funds - Conservation, Environment, and Recreation Related:	
Combining Balance Sheet	111
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	114

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	117
Special Revenue Funds - Regulatory and Administrative Related	
Combining Balance Sheet	123
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	125
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	127
Special Revenue Funds - Other State Funds	
Combining Balance Sheet	132
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	133
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	134
Debt Service Funds	
Combining Balance Sheet	137
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	139
Capital Projects Funds	
Combining Balance Sheet	142
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	143
Permanent Funds	
Combining Balance Sheet	145
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	146
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	147
Proprietary Funds	
Internal Service Funds	
Combining Statement of Net Assets	151
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	153
Combining Statement of Cash Flows	155
Fiduciary Funds	
Pension (and Other Employee Benefits) Trust Funds	
Combining Statement of Fiduciary Net Assets	158
Combining Statement of Changes in Fiduciary Net Assets	160
Private Purpose Trust Funds	
Combining Statement of Fiduciary Net Assets	163
Combining Statement of Changes in Fiduciary Net Assets	165
Agency Funds	
Combining Statement of Fiduciary Net Assets	168
Combining Statement of Changes in Assets and Liabilities – Agency Funds	169
Component Units	
Authorities	
Combining Statement of Net Assets	173
Combining Statement of Activities	175
State Universities	
Combining Statement of Net Assets	177
Combining Statement of Activities	179

III. STATISTICAL SECTION

Schedule of Revenue and Other Financing Sources - General and Special Revenue Funds	180
Schedule of Revenue and Other Financing Sources - General Fund	182
Source and Disposition of General Fund Authorizations	184
Source and Disposition of General Fund/General Purpose Authorizations	187
Revenue, Bond Proceeds, and Capital Lease Acquisitions - General and Special Revenue Funds	189
Schedule of Expenditures by Function - General and Special Revenue Funds - State Funds	191
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Fund Expenditures and Transfers	193
Net General Obligation Bonded Debt Per Capita	194
State Building Authority Bonded Debt Per Capita	195
Debt Service Coverage - Comprehensive Transportation Fund Related Bonds	196
Debt Service Coverage - State Trunkline Fund Related Bonds	197
Economic and Social Data	200
Index of Funds and Component Units	202
Acknowledgements	204



JOHN ENGLER
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

DON GILMER
DIRECTOR

March 29, 2002

The Honorable John Engler, Governor
Members of the Legislature
People of the State of Michigan

As required by Article 9, Section 21, of the State Constitution and Section 494, Public Act 431 of 1984, as amended, we are pleased to submit the *State of Michigan Comprehensive Annual Financial Report* (SOMCAFR) for the fiscal year ended September 30, 2001.

INTRODUCTION TO THE REPORT

Responsibility: The Office of the State Budget, Office of Financial Management, prepares the SOMCAFR and is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including disclosures. To the best of our knowledge and belief, the information contained in the SOMCAFR is accurate in all material respects and reported in a manner that fairly presents the financial position and results of operations of the State primary government and component units for which it is financially accountable. All disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial affairs have been included.

Adherence to Generally Accepted Accounting Principles: As required by State statute, we have prepared the financial statements contained in the SOMCAFR in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB). The State also voluntarily follows the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the contents of government financial reports, and participates in the GFOA's review program for the Certificate of Achievement for Excellence in Financial Reporting.

Report: The SOMCAFR is divided into three major sections: introductory, financial, and statistical. The introductory section includes this letter, the State's organization chart, and the list of principal officials. The financial section includes: the independent auditor's report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A) which provides an introduction, overview and analysis to the "Basic Financial Statements"; the Basic Financial Statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds, fiduciary funds, and component units, together with footnotes

to the Basic Financial Statements; Required Supplementary Information other than MD&A, which presents budgetary comparison schedules and information about infrastructure assets; and the supplemental financial data which includes the combining financial statements and schedules. The statistical section includes such items as trend information, information on debt levels, and other selected economic and statistical data.

Internal Control Structure: The Office of the State Budget is responsible for the overall operation of the State's central accounting system and for establishing and maintaining the State's internal control structure. All financial transactions of the State primary government are recorded in the central accounting system, except for the Michigan Unemployment Compensation Funds, the State Employees' Deferred Compensation Funds, and the State Employees' Defined Contribution Retirement Fund. Many of the essential control features are decentralized, such as the preparation and entry of expenditure transactions into the central accounting system. Consequently, the Office of the State Budget relies upon the controls in place at the various State departments and agencies. The Management and Budget Act (Section 18.1483 – 18.1489 of the *Michigan Compiled Laws*) requires that the head of each principal department shall establish and maintain an internal accounting and administrative control system. The Act also requires that the heads of each principal department shall report biennially on any material inadequacy or weakness discovered in connection with the evaluation of their system. The *"Evaluation of Internal Controls – A General Framework and System of Reporting"*, developed in consultation with the Office of the Auditor General, provides the required guidance associated with the evaluation of internal controls in Michigan State government. The framework for internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Management and Budget Act requires each principal department to appoint an internal auditor and maintain adequate internal control systems. Each department is also required to periodically report to the Governor on the adequacy of its internal accounting and administrative control systems and, if any material weaknesses exist, to provide corrective action plans and time schedules for addressing such weaknesses. This reporting is required on or before May 1 of each odd numbered year, effective as of the preceding October 1.

The discretely presented component units generally operate outside the State's central accounting system and are responsible for establishing and maintaining their own separate internal control structures.

Independent Auditors: The Office of the Auditor General (OAG) audited the SOMCAFR with a goal to provide reasonable assurance that the SOMCAFR for the fiscal year ended September 30, 2001, is free of material misstatement. The OAG conducted the audit of the SOMCAFR in accordance with generally accepted auditing standards (GAAS), and its independent auditor's report precedes the Basic Financial Statements. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the CAFR; assessing the accounting principles used and evaluating the overall financial statement presentation. The OAG concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the SOMCAFR for the fiscal year ended September 30, 2001, is fairly presented in conformity with GAAP.

In addition to the annual audit of the SOMCAFR, the OAG also performs periodic financial and performance audits of the various State departments, agencies, and institutions of higher education. The OAG engages outside public accounting firms periodically, particularly for the audits of the separately issued component unit financial statements (such as the Michigan State Housing Development Authority), the larger pension (and other employee benefit trust) funds, and the Michigan Unemployment Compensation Funds. The Auditor General also has primary responsibility for conducting audits under the federal Single Audit Act of 1984. Pursuant to Michigan Public Act 251 of 1986, these audits are conducted biennially for applicable State departments, agencies, and component unit authorities, and result in separately issued audit reports.

Management's Discussion and Analysis (MD&A): GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of MD&A. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

Reporting Entity: The State of Michigan reporting entity reflected in the SOMCAFR, which is described more fully in Note 1 to the basic financial statements, conforms with the requirements of GASB Statement No. 14, The Financial Reporting Entity. The accounting and reporting principles contained in Statement No. 14 are based primarily on the fundamental concept that publicly elected officials are accountable to their constituents. Further, Statement No. 14 provides that the financial statements should emphasize the *primary government* and permit financial statement users to distinguish between the primary government and its *component units*. Consequently, the transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position.

Budgetary Reporting and Control: For the State primary government operating funds (i.e., the General Fund and annually appropriated special revenue and permanent funds), Public Act 431 of 1984, as amended, requires the State to adhere to GAAP in budgeting projected revenues and expenditures and calculating fund balance for budgetary purposes. The Act also prohibits the State from budgeting for an ending fund balance deficit in an operating fund. If an actual deficit is incurred, the Constitution and Act 431 require that it be addressed in the subsequent year's budget. If accounting principles change, Act 431 requires the State to also implement such changes in its budgetary process.

The budgetary "basis of accounting" used by the State primary government departs from GAAP only in ways that do not affect unreserved fund balance, and that do not impact most revenue and expenditure line items. Appropriations for nearly all line items, therefore, are made on a basis consistent with GAAP, which makes it possible for the State to use the central accounting system for both budgetary control and financial reporting purposes. The two variances between GAAP and the budgetary basis of accounting are: 1) the use of encumbrances for budgetary control purposes (which GAAP does not require), and 2) the timing of recording expenditures and liabilities for capital lease commitments on a "pay as you go" basis for budgetary purposes, rather than at lease inception as required by GAAP. Compliance with the final updated budget for the annually budgeted operating funds of the State primary government is demonstrated in the budget and actual comparative schedules and notes in the SOMCAFR.

Revenue and Spending Limitation Requirements: Under the State Constitution, total State revenues are limited to a percentage of total Michigan personal income. If the limit is exceeded by an amount less than 1%, the excess may be transferred to the Budget Stabilization Fund. If revenues exceed the limit by 1% or more, the amount in excess must be refunded to payers of personal income and single business taxes. The calculations necessary to determine the State's compliance with this requirement for fiscal year 2000-2001 are not final. For fiscal year 1999-2000, the most recent year for which final calculations are available, total State revenues subject to this limitation exceeded the limit by \$159.7 million. The State expects that total State revenues subject to the limitation will not exceed the limit for fiscal year 2000-2001.

The State Constitution also requires that spending to local units of government be maintained at not less than a specified level of total State spending, originally determined to be 41.61% for the base fiscal year 1978-79. The originally determined percentage was recalculated, effective fiscal year 1992-93, reflecting the terms of a legal settlement agreement. The recalculated base year percentage is 48.97%. The calculations necessary to determine the State's compliance with this requirement for fiscal year 2000-2001 are not final. For fiscal year 1999-2000, the most recent year for which final calculations are available, the proportion of total State spending paid to local units of government was determined to be 61.68%, reflecting payments that exceeded the minimum required by \$3.0 billion. The State expects that payments to local units of government will exceed the minimum requirement for fiscal year 2000-2001.

The State's status, with regard to these Constitutional provisions, is discussed more fully in Note 3 to the basic financial statements.

ECONOMIC CONDITIONS AND OUTLOOK

Fiscal year 2001 began with continuing national and state economic growth although at a much slower rate than the previous fiscal year. However, economic indicators reflected an overall leveling or temporary cooling in the economy. America finds itself in the midst of an economic downturn, predicted by analysts but exacerbated by the tragedies of September 11th. The last several months have forced the nation to face the unimaginable. Beyond the human tragedy, the September attacks and subsequent related events have inflicted economic pain that contrasts sharply with the preceding decade of prosperity and growth. Michigan has not been immune to these recent events. The impact of the recession is being widely observed. The U.S. economic slowdown that began in March 2001 ended the longest recorded economic expansion of ten years. Automakers made the most aggressive production cuts in a decade and offered zero percent financing to boost car sales beginning in October 2001. Michigan's economy also slowed, causing employment to decline. The unemployment rate averaged 5.0 percent in 2001, up from 3.6 percent a year ago. As a result, budgets for fiscal year 2001 and 2002 were adjusted downward to reflect softening revenues. In December 2001, economic indicators suggested the economy was turning the corner toward recovery. New claims for unemployment benefits had fallen sharply, employment declines slowed and consumer and business confidence improved. These fundamentals indicate the underlying economy is sound and the long-term outlook for Michigan is positive.

Inflation, as measured by the Detroit CPI, is forecast to be a moderate 2.4 percent in 2002 and 3.0 percent in 2003. As a result, real Michigan personal income (inflation adjusted) is expected to remain unchanged in 2002 before rising to a solid 2.2 percent in 2003. Michigan wage and salary employment is forecast to decline by 33,000 (0.7 percent) in 2002, and is forecast to rise by 79,000 (1.7 percent) in 2003. Personal income growth is forecast to slow to 2.4 percent in 2002, and post solid growth of 5.3 percent in 2003.

MAJOR INITIATIVES AND FUTURE PROJECTS

Education Remains a Top Priority: Education has been and continues to be critically important to the State. More than \$14.7 billion, or 39 percent, of the State's overall budget is devoted to education in fiscal year 2001-2002. This includes funding for the K-12 system, universities, community colleges and student financial aid. In fiscal year 2001, the State spent more on K-12 education than it spent on expenditures financed by General Fund general purpose revenues.

The Administration is committed to increasing the minimum foundation allowance to \$6,700 per pupil in fiscal year 2003. This \$200 (3.1 percent) per pupil increase will cost \$337 million and will require a change in the State education tax collection structure in fiscal year 2003.

Transportation Infrastructure Investments: The Build Michigan I, II, and III financing programs have resulted in record investments in Michigan's transportation infrastructure. In fiscal year 2001-2002, the Department of Transportation will invest over \$1.5 billion in the state trunkline system, making it the fifth year in a row that the Michigan transportation program has exceeded the billion-dollar mark.

Technology Consolidation: As part of a bold plan to keep Michigan on the cutting edge of technological change, all information technology management functions were moved to the new Michigan Department of Information Technology, effective October 2001. The department will establish a long-term strategy that allows for better management of technology investments, improved information management and more efficient services to citizens.

Central Electronic Payment Authorization System: The e-Michigan Office continues to search for an enterprise-wide electronic payment module that provides flexibility to support multiple payment instruments and makes State government more accessible to its citizens. Citizens will access the award-winning Web site "Michigan.gov" (<http://www.michigan.gov>) and use major credit cards and other electronic payment transactions to purchase the diverse services provided by the state, such as license renewal and camping reservations.

Child Support Enforcement System: The Family Independence Agency implemented a statewide integrated child support network that coordinates all employer withholdings for child and spousal support and disbursements to custodial families. The use of electronic funds transfer and electronic data interchange contributes to the effective processing and efficiencies gained from using a single location. FIA processes approximately \$80.0 million per month to custodial families.

Financial Management Reporting Improvements: The Office of the State Budget (OSB) continues to lead a statewide effort to reduce the time and cost of the annual bookclosing process that produces the SOMCAFR. OSB has set a statewide goal to produce the fiscal year 2002 SOMCAFR by December 31, 2002. This endeavor will require the collective effort from all accounting and financial personnel throughout State government.

FINANCIAL INFORMATION

The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements. In addition, MD&A focuses on the State's major funds: the General Fund, Budget Stabilization Fund, School Aid Fund, State Lottery Fund, and the Michigan Unemployment Compensation Funds. Fiduciary activities are excluded from the MD&A.

Cash Management and Investments: As discussed more fully in Notes 5 and 8 to the basic financial statements, the State Treasurer maintains the State's Common Cash pool, which is used by most State funds for short-term investments and to provide centralized control over disbursements. The total amount of pooled cash, which is primarily invested in prime commercial paper, amounted to \$4.8 billion at September 30, 2001, a decrease of approximately \$700 million from \$5.5 billion at September 30, 2000. Total investments amounted to \$53.7 billion at September 30, 2001, a decrease of \$7.2 billion from \$60.9 billion at September 30, 2000. Pension (and other employee benefits) trust fund investments represent 91.3 percent of the total investments held by the state.

Debt Management: The State Constitution authorizes general obligation long-term borrowing, subject to approval by the Legislature and a majority of voters at a general election. General obligation bond issues totaled \$324.6 million during 2000-2001. The bonds provide financing for

the Clean Michigan Initiative Program and school district loans.

Long-term bonds have been issued periodically for specific purposes, with the stipulation that financing of debt requirements is to come strictly from designated revenue sources. Revenue dedicated bonded debt, including that of the State Building Authority, increased by \$603.8 million to \$3.4 billion during 2000-2001. The bonds provide financing for building new state and university facilities and road and bridge construction.

The State Constitution provides that the Legislature may authorize the issuance of short-term general obligation notes to assist in managing cash flows. Such borrowings are limited by the Constitution to 15% of undedicated State revenue received in the preceding year. The Constitution also requires that such borrowings be repaid before year-end. No such borrowings occurred during the fiscal year.

Additional disclosures about the State's general long-term obligations are provided in Note 14 to the basic financial statements.

Pension Plans: The State Constitution requires the State to provide current funding of plan benefits for the State's defined benefit pension plans. Statutes provide for the amortization of unfunded prior service costs. In two of the four plans for which the State is responsible for providing funding, the enabling statutes for the plans contain provisions under which a shortfall in the legally required contributions will be corrected in succeeding fiscal years.

The State Employees' Retirement System (SERS) is the largest of the defined benefit plans for which the State is responsible for providing funding. Total assets of SERS at September 30, 2001 were \$10.1 billion, with net assets held in trust for pension and postemployment health-care benefits totaling \$9.6 billion. Additional disclosures relating to the State's pension funds are provided in Note 11 to the financial statements.

Risk Management: Risk management was established within the Department of Management and Budget in 1987 to improve the State's risk control policies and procedures. The unit's activities include analysis of and control over

insurance coverage and risk exposure, and planning and implementing a statewide safety and health policy and program. The State is self-insured for many types of general liability and property losses. Additional disclosures on the State's risk management activities are provided in Note 27.

OTHER INFORMATION

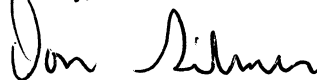
Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Michigan for its SOMCAFR for the year ended September 30, 2000. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

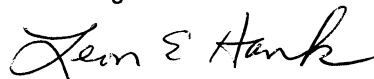
A Certificate of Achievement is valid for a period of one year only. The State has received a Certificate of Achievement for the last fourteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for review.

Acknowledgments: In any year, the preparation of this report requires the collective efforts of literally hundreds of finance personnel throughout the State, both individually and in teams from virtually all agencies and departments. We sincerely appreciate the dedicated efforts of all of these individuals. This year, we implemented several new GASB standards, including Statement No. 34 requirements, one year earlier than required. Achieving this is the result of the dedicated management and staff of the Financial Control Division, Office of Financial Management; the chief financial officers, chief accountants, and their staffs; and the management and staff of the Office of the Auditor General; who continue to strive for improvements that will result in Michigan being a national leader in quality and efficiency for financial reporting.

Sincerely,



Don Gilmer
State Budget Director



Leon E. Hank, CPA
Director, Office of Financial Management

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

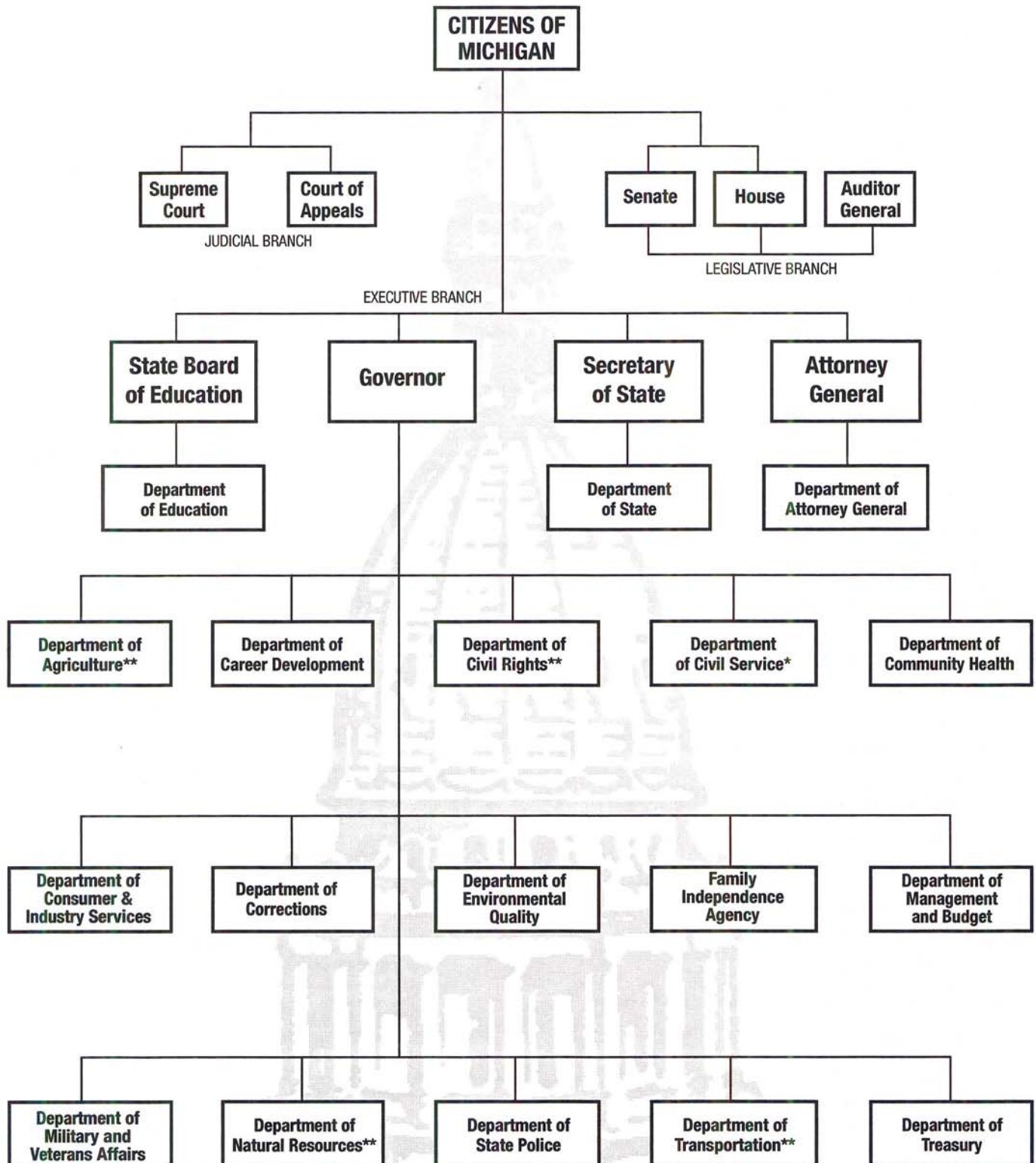


Timothy A. Brewer
President

Jeffrey L. Esser
Executive Director

STATE OF MICHIGAN ORGANIZATIONAL STRUCTURE

SEPTEMBER 30, 2001



* Has Commission appointed by Governor

** Has Commission appointed by Governor, confirmed by Senate

STATE OF MICHIGAN
PRINCIPAL STATE OFFICIALS

JUDICIAL BRANCH

Supreme Court Justices
Honorable Maura D. Corrigan, Chief Justice
Honorable Michael F. Cavanagh, Justice
Honorable Marilyn Kelly, Justice
Honorable Stephen J. Markman, Justice
Honorable Clifford W. Taylor, Justice
Honorable Elizabeth A. Weaver, Justice
Honorable Robert P. Young, Jr., Justice

LEGISLATIVE BRANCH

Honorable Dick Posthumus
President of the Senate

Honorable Rick V. Johnson
Speaker of the House of Representatives

Thomas H. McTavish
Legislative Auditor General

EXECUTIVE BRANCH

Honorable John Engler, Governor

Honorable Jennifer M. Granholm, Attorney General

Honorable Candice S. Miller, Secretary of State

State Board of Education
Honorable John Engler (Ex Officio)
John C. Austin
Sharon L. Gire
Marianne Yared McGuire
Herbert S. Moyer
Kathleen N. Straus
Michael D. Warren, Jr.
Eileen L. Weiser
Sharon A. Wise
Thomas D. Watkins, Jr.,
Superintendent of Public Instruction

Michigan Commission of Agriculture
Douglas E. Darling
James E. Maitland
William Pridgeon
Jordan B. Tatter
Nora M. Viau
Dan Wyant, Director, Department of Agriculture

Barbara Bolin, Director
Department of Career Development

Civil Rights Commission
Bishop George Brown
Albert Calille
Evelyn L. Crane
Yahya Mossa-Basha
Valerie P. Simmons
Gary Torgow
Francisco J. Villarruel
Tarun K. Sharma
Nanette Lee Reynolds, Director, Department of Civil Rights

Civil Service Commission
Robert P. Hunter
Susan Grimes Munsell
James P. Pitz
Vacant
John F. Lopez, Director, Department of Civil Service

James K. Haveman, Jr., Director
Department of Community Health

Kathleen M. Wilbur, Director
Department of Consumer and Industry Services

William S. Overton, Director, Department of Corrections

Russell J. Harding, Director
Department of Environmental Quality

Douglas E. Howard, Director
Family Independence Agency

Duane E. Berger, Director
Department of Management and Budget

Don Gilmer, State Budget Director
Office of the State Budget

Major General E. Gordon Stump, Director
Department of Military and Veterans Affairs

Natural Resources Commission
Jim Campbell
Keith J. Charters
Nancy A. Douglas
Paul J. Eisele
Bob Garner
William U. Parfet
Frank C. Wheatlake
K. L. Cool, Director, Department of Natural Resources

Col. Stephen D. Madden, Director
Department of State Police

Transportation Commission
Betty Jean Awrey
John W. Garside
Lowell B. Jackson
Barton W. LaBelle
Brian K. Larche
Ted B. Wahby
Gregory J. Rosine, Director, Department of Transportation

Douglas B. Roberts, State Treasurer



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report

The Honorable John M. Engler, Governor
Members of the Legislature

March 29, 2002

We have audited the accompanying basic financial statements of the State of Michigan, principally as of September 30, 2001 and for the year then ended, listed in the foregoing table of contents. These basic financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the State Lottery Fund, Michigan Unemployment Compensation Funds, Michigan Employment Security Act - Administration Fund, State Building Authority - Debt Service Fund, State Building Authority - Capital Projects Fund, State Sponsored Group Insurance Fund, State Employees' Deferred Compensation Funds, State Police Retirement Fund, State Employees' Retirement Fund, Public School Employees' Retirement Fund, Judges' Retirement Fund, State Employees' Defined Contribution Retirement Fund, Michigan Education Savings Program, Michigan Education Trust, Michigan State Housing Development Authority, Michigan Municipal Bond Authority, Michigan Higher Education Facilities Authority, Mackinac Bridge Authority, Michigan State Hospital Finance Authority, Michigan Higher Education Student Loan Authority, Mackinac Island State Park Commission, State Bar of Michigan, Central Michigan University, Western Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University. Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues or additions of the fund financial statements as follows:

<u>Government-Wide Financial Statements:</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Primary Government - Governmental Activities	1.8%	1.3%
Primary Government - Business-Type Activities	98.8%	83.3%
Component Units	96.9%	85.0%

<u>Fund Financial Statements:</u>	<u>Percent of Assets</u>	<u>Percent of Revenues or Additions</u>
Governmental Funds - Non-Major Funds	7.4%	3.4%
Proprietary Funds - Business-Type Activities - Enterprise Funds - State Lottery Fund	100.0%	100.0%
Proprietary Funds - Business-Type Activities - Enterprise Funds - Michigan Unemployment Compensation Funds	100.0%	100.0%
Proprietary Funds - Governmental Activities - Internal Service Funds	61.9%	73.3%
Fiduciary Funds - Pension (and Other Employee Benefit) Trust Funds	99.7%	99.7%
Fiduciary Funds - Private Purpose Funds	45.6%	43.3%
Component Units	96.9%	85.0%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units and funds, is based solely upon the reports of the other auditors.



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

The Honorable John M. Engler, Governor
Members of the Legislature
Page 2

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our report and the reports of other auditors, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of Michigan, principally as of September 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the basic financial statements, the State of Michigan adopted Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*; Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*; Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund statements and schedules - non-major funds listed in the foregoing table of contents, which are also the responsibility of the State's management, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the State of Michigan. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in the audits performed by other auditors and, in our opinion, based on our audit and the reports of other auditors, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

The management's discussion and analysis on pages 5 through 12, budgetary comparison schedules and corresponding notes on pages 86 through 89, and information about infrastructure assets reported using the modified approach on pages 90 and 91 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The introductory and statistical sections listed in the foregoing table of contents were not audited by us and, accordingly, we express no opinion on them.

Sincerely,

A handwritten signature in dark ink, reading "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.
Auditor General

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Michigan's (the State's) financial performance, providing an overview of the activities for the fiscal year ended September 30, 2001. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section. Because fiscal year 2000-2001 represents the first year in which the State implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, this discussion and analysis provides few comparisons with the previous year. Future reports are required to include extensive comparisons.

HIGHLIGHTS

Government-wide:

- The assets of the State exceeded its liabilities at the close of the fiscal year by \$22.5 billion (reported as *net assets*), a decrease of \$74.2 million from the previous year. Component units reported net assets of \$4.3 billion, an increase of \$219.0 million from the previous year.

Fund Level:

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$5.8 billion, with \$2.6 billion reported as *unreserved fund balance* and the remaining amount of \$3.2 billion reserved for specific purposes, such as education and transportation. At the end of the fiscal year, unreserved fund balance for the General Fund was \$28.1 million.
- The proprietary funds reported net assets at year-end of \$3.2 billion, a decrease of \$159.3 million during the year.

Long-term Debt:

- The State's total debt rose during the fiscal year to \$5.2 billion, an increase of \$956.4 million (or 22.6%), which represents the net difference between new issuances, and payments and refundings of outstanding debt. During the year the State issued bonds (\$1.5 billion), notes (\$400 million), and commercial paper (\$653.8 million).

More detailed information regarding these activities and funds begins on page 7.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

For the first time, this report includes government-wide financial statements as required by GASB Statement No. 34.

Government-wide Statements (Reporting the State as a Whole)

The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the State, as a whole, and about its activities that should help answer this question: Is the State, as a whole, better off or worse off as a result of this year's activities? These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets (pages 14 and 15) presents all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

The Statement of Activities (pages 16 and 17) presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

- *Governmental Activities* – Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.

- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. Lottery tickets, liquor purchases, and the State's unemployment compensation services are examples of business-type activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The State has 12 authorities and 10 universities that are reported as discretely presented component units of the State.

This report includes two schedules (pages 21 and 23) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) on the appropriate government-wide statements. The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain tax revenues that are earned, but not available, are reported as governmental activities, but are reported as deferred revenue on the governmental fund statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements.
- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements.
- Certain pension trust funds have been funded in excess of their annual required contribution. These assets are recorded only in the government-wide statements.
- Deferred issue costs are capitalized and amortized as governmental activities, but reported as expenditures in the governmental fund statements.
- Unless due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, bonds and notes payable, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 41 of this report.

Fund Financial Statements (Reporting the State's Major Funds)

The fund financial statements begin on page 20 and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, page 96 begins the individual fund data for the non-major funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

- *Governmental funds* -- Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.
- *Proprietary funds* -- When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report

Michigan

activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services for the State's other programs and activities - such as the State's Vehicle and Travel Services. Internal service funds are reported as governmental activities on the government-wide statements.

- *Fiduciary funds* -- The State acts as a trustee or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 32. These funds, which include pension (and other employee benefit), private-purpose, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Additional Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules reconciling the statutory and generally accepted account principles (GAAP) fund balances at fiscal year-end, and condition and maintenance data regarding certain portions of the State's infrastructure.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds, and non-major discretely presented component units. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The State's combined net assets decreased \$74.2 million over the course of this fiscal year's operations. The net assets of the governmental activities increased \$135.4 million or .7% and business-type activities had a decrease of \$209.5 million or 6.3%.

Net Assets as of September 30, 2001 (in millions of dollars)			
	Governmental Activities	Business-type Activities	Total Primary Government
Current and other non-current assets	\$ 12,420.6	\$ 4,219.9	\$ 16,640.4
Capital assets	17,750.5	.3	17,750.8
Total assets	30,171.1	4,220.1	34,391.2
Long-term liabilities	6,606.5	660.3	7,266.8
Other liabilities	4,180.8	431.8	4,612.5
Total liabilities	10,787.3	1,092.0	11,879.3
Net assets:			
Invested in capital assets, net of related debt	15,129.8	.3	15,130.1
Restricted	2,849.2	3,121.4	5,970.6
Unrestricted	1,404.8	6.4	1,411.2
Total net assets	\$ 19,383.8	\$ 3,128.1	\$ 22,511.9

The largest component (67.2%) of the State's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Restricted net assets are the next largest component, comprising 26.5%. These represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion, unrestricted net assets, may be used at the State's discretion, but often have limitations on use based on State statutes.

Michigan

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

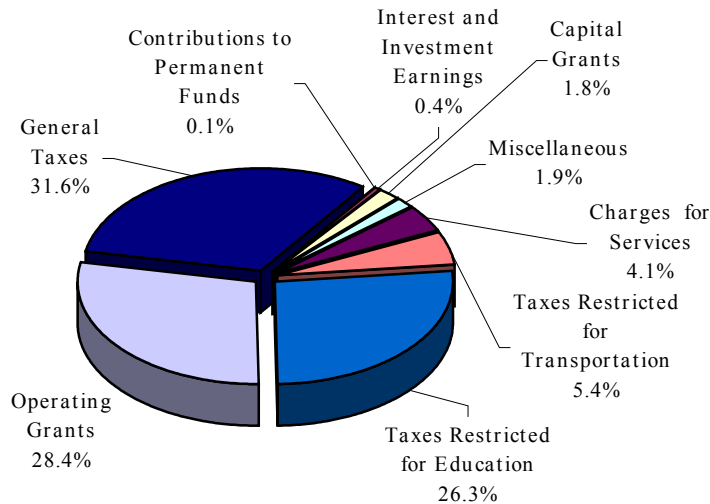
Changes in Net Assets for Fiscal Year Ending September 30, 2001 (in millions of dollars)

	Governmental Activities	Business-type Activities	Total Primary Government
Revenues			
Program revenues			
Charges for services	\$ 1,496.9	\$ 3,297.9	\$ 4,794.8
Operating grants	10,255.3	313.6	10,569.0
Capital grants	667.4	-	667.4
General revenues			
General taxes	11,425.7	10.4	11,436.2
Taxes restricted for educational purposes	9,500.3	-	9,500.3
Taxes restricted for transportation purposes	1,936.3	-	1,936.3
Interest and investment earnings	159.2	4.2	163.4
Miscellaneous	669.0	-	669.0
Total revenues	<u>36,110.1</u>	<u>3,626.2</u>	<u>39,736.3</u>
Expenses			
General government	1,735.2	-	1,735.2
Education	14,109.6	-	14,109.6
Family independence services	3,627.8	-	3,627.8
Public safety and corrections	2,098.6	-	2,098.6
Conservation, recreation, and agriculture	682.9	-	682.9
Labor, commerce, and regulatory	884.1	-	884.1
Health services	8,536.0	-	8,536.0
Transportation	2,766.7	-	2,766.7
Tax expenditures	532.8	-	532.8
Intergovernmental – revenue sharing	1,555.8	-	1,555.8
Interest on long-term debt	221.3	-	221.3
Liquor Purchase Revolving Fund	-	479.4	479.4
State Lottery Fund	-	1,132.8	1,132.8
Michigan Unemployment Compensation Funds	-	1,485.9	1,485.9
Total expenses	<u>36,750.8</u>	<u>3,098.1</u>	<u>39,848.9</u>
Excess (deficiency) Before Contributions and Transfers	(640.7)	528.1	(112.6)
Contributions to permanent fund principal	38.4	-	38.4
Transfers	737.6	(737.6)	-
Increase (decrease) in net assets	135.4	(209.5)	(74.2)
Net assets – beginning – restated	19,248.4	3,337.6	22,586.0
Net assets – ending	<u>\$ 19,383.8</u>	<u>\$ 3,128.1</u>	<u>\$ 22,511.8</u>

Governmental Activities:

The following chart depicts revenues of the governmental activities for the fiscal year:

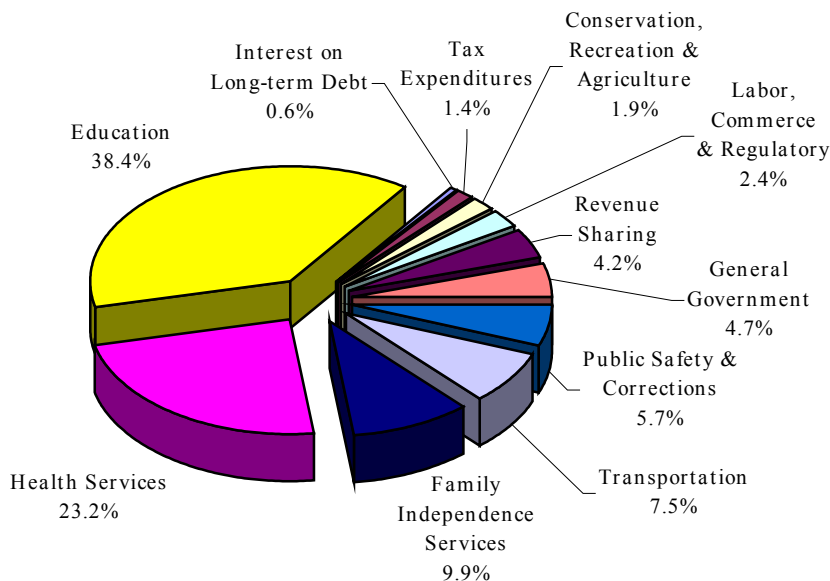
**Revenues - Governmental Activities
Fiscal Year Ending September 30, 2001**



Revenues for the State's governmental activities are likely to decrease in the coming years as the personal income and single business tax rates will experience gradual declines. Starting on January 1, 1999, the single business tax rate has been reduced by .1 percent each January 1 if the Budget Stabilization Fund has a fund balance greater than \$250 million. Beginning on January 1, 2000, the personal income tax is being reduced each year until the rate reaches 3.9%. There were no significant structural changes in the State's sales taxes during fiscal year 2000-2001. Decreases in tax revenues during the fiscal year resulted from these tax rollbacks, in addition to the slowdown in the economy.

The following chart depicts expenses of the governmental activities for the fiscal year:

**Expenses - Governmental Activities
Fiscal Year Ending September 30, 2001**



Business-type Activities

Net assets of the business-type activities decreased by \$209.5 million during the fiscal year. Factors contributing to these results included:

- The State Lottery Fund's net assets increased by \$44.8 million for the fiscal year, primarily from the increase in the market value of investments.
- Due to increasing unemployment in the State, the Michigan Unemployment Compensation Funds' payment of these benefits increased from \$905.9 million in fiscal year 1999-2000 to \$1.5 billion during fiscal year 2000-2001. However the impact on net assets was about half that amount, \$254.3 million, because of increases in operating revenues during the year.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As the State completed the year, its governmental funds reported fund balances of \$5.8 billion. Of this total amount, \$2.6 billion, or 43.9% constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds. The School Aid Fund, (\$694.8 million), the Budget Stabilization Fund (\$994.2 million), and transportation-related funds (\$539.4 million) comprise a significant portion of the unreserved fund balance. The remainder of fund balance is reserved and is not available for new spending because it has already been dedicated for various commitments, such as capital outlay projects.

General Fund

The General Fund is the chief operating fund of the State. At the end of current fiscal year 2000-2001, unreserved fund balance of the General Fund was \$28.1 million and reserved fund balance was \$1.9 billion. Total fund balance diminished slightly during the fiscal year (\$192.8 million), primarily as a result of lower tax collections and slowing of the economy. By the end of fiscal year 2000-2001, net General Fund revenues had declined 8.1 percent from the prior year.

General Fund Budgetary Highlights:

Changes in the State's projected revenue mirrored the national economic condition. In May 2001, it became apparent that state revenues were declining and fiscal year 2000-2001 budgets were adjusted downward to reflect the softening revenues.

As a result, the original budget was amended by various supplemental appropriations and appropriation revisions. The following summarizes the differences between the original and final budget amounts:

- General purpose tax revenues of \$8.7 billion were significantly less than the estimated \$9.4 billion.
- Restricted revenue inflows of \$12.6 billion were slightly greater than the estimated \$12.5 billion.
- Funding shifts for several major construction projects from the General Fund to the State Building Authority resulted in a decrease of \$211.2 million, of which \$195.7 million related to appropriation revisions in fiscal year 2000-2001.
- Agencies controlled spending in an effort to create budgetary savings of almost \$24.4 million.
- The Budget Stabilization Fund transferred \$270.0 million to the General Fund to balance the budget.

Differences between the final budget and actual spending result from spending authority lapses of \$89.6 million, over-expended appropriations of \$31.9 million, and restricted revenue authorized but not spent of \$9.3 million.

Overall, there were no net overexpenditures by General Fund departments. There were, however, the following line-item overexpenditures of State funds incurred during the year:

Community Health	\$31.3 million
Career Development	\$.6 million

Although it is anticipated that the General Fund will experience reduced revenues in the next fiscal year, corresponding reductions in spending and other measures will help ensure that the fund balance remains positive.

School Aid Fund

Fund balance at September 30, 2001 totaled \$704.1 million, a decrease of \$281.5 million from the prior year. Although revenues increased by \$264.4 million, expenditures to school districts and other costs increased by nearly \$900 million and transfers to the fund decreased by \$66.4 million.

Counter-cyclical Budget and Economic Stabilization Fund

Fund balance at September 30, 2001 decreased to \$994.2 million, from \$1.3 billion the previous year. The downturn in the economy required an increase in transfers from the fund to assist the State in balancing its budget. During fiscal year 2001-2002, the State anticipates that transfers from the fund will significantly reduce fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2000-2001, the State had invested \$17.8 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for this fiscal year totaled \$199.7 million.

Capital Assets as of September 30, 2001
(net of depreciation, in millions of dollars)

	Governmental Activities	Business-type Activities	Total Primary Government
Land	\$ 3,093.3	\$ -	\$ 3,093.3
Land improvements	56.2	-	56.2
Buildings and improvements	1,714.5	-	1,714.5
Equipment	193.1	.3	193.4
Infrastructure	11,810.4	-	11,810.4
Other	20.7	-	20.7
Subtotal	16,888.2	.3	16,888.5
Construction in progress	862.3	-	862.3
Total	\$ 17,750.5	\$.3	\$ 17,750.8

Although the most significant change in accounting for capital assets during the year resulted from the inclusion of infrastructure assets, the State also purchased the Grand Tower building, which houses the Family Independence Agency, for approximately \$40 million and completed construction on a variety of projects at correctional facilities that totaled approximately \$100 million.

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 27,300 lane miles of roads and approximately 5,700 bridges that the State is responsible to maintain.

The State has consistently improved the assessed condition of roads over the past five years. The State's goal is to have no more than 30% of roads in "poor" or "very poor" condition. The most recent condition assessment, completed for calendar year 2000, indicated that 22% of roads were considered poor or very poor.

The State's bridges have assessed conditions which are better than the established benchmarks, although the most recent assessment (2000) indicated that the condition of the bridges had deteriorated slightly from 1999.

The State's fiscal year 2001-2002 capital outlay budget projects spending \$486.2 million for new projects at Michigan colleges and universities, and special maintenance projects at various state agency buildings, in addition to \$329.1 million of unspent capital outlay authorizations that existed at September 30, 2001. More detailed information about the State's capital assets is presented in Note 10 to the financial statements.

Long-term Debt: The State, along with the State Building Authority (SBA), a component unit of the State, are empowered by law to authorize, issue, and sell debt obligations. General obligation bonds, issued by the State, are backed by the full faith and credit of the State. The State also issues revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. SBA issues debt that is not backed by the State's full faith and credit. SBA's bonds generate revenue to finance the construction of facilities used by the State and universities. Revenues derived from leases on the facilities fund the debt service requirements. More detailed information regarding the State's long-term obligations is presented in Note 14 to the financial statements.

Michigan

Outstanding Bonded Debt as of September 30, 2001 (in millions of dollars)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
General obligation bonds (backed by the State)	\$ 1,031.8	\$ -	\$ 1,031.8
Revenue bonds and notes (backed by specific tax and fee revenues)	3,433.3	-	3,433.3
Total	<u>\$ 4,465.1</u>	<u>\$ -</u>	<u>\$ 4,465.1</u>

During fiscal year 2000-2001, the State issued general obligation debt totaling \$324.6 million, including \$183.3 million to pay off amounts outstanding on previously issued bonds that carried higher interest costs, \$60.0 million of bonds to fund conservation and recreation projects, and \$81.3 million of bonds to provide funds to loan to school districts.

Bond Ratings

The State's general obligations are rated Aaa by Moody's and AAA by Standard & Poors.

Limitations on Debt

The State Constitution authorizes general obligation long-term borrowing, with approval of the Legislature and a majority of the voters, and general obligation short-term notes, of which the principal may not exceed 15% of undedicated revenues received in the preceding year. No short-term borrowing occurred in fiscal year 2000-2001.

ECONOMIC CONDITION AND OUTLOOK

Downturns in the U.S. economy that began in March 2001 had a similar impact on the State. Michigan's unemployment rate averaged 5.0% in 2001, up from 3.6% the year before. In May 2001 it became apparent that State revenues were declining and the budget for the 2000-2001 and 2001-2002 fiscal years were adjusted to reflect the softening revenues.

For fiscal year 2001-2002, spending reductions of nearly \$460 million have been approved, in addition to the more than \$210 million in spending reductions contained within the original fiscal 2001-2002 budget. As previously mentioned, the Budget Stabilization Fund will be utilized to soften the impact of the slowing economy.

CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Office of the State Budget, Office of Financial Management, Financial Reporting Section at (517) 373-3029.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component unit. To obtain their phone numbers, you may contact the Office of Financial Management at (517) 373-3029.

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2001

(In Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
ASSETS				
Current Assets:				
Cash	\$ 12,784	\$ 741	\$ 13,525	\$ 300,760
Equity in common cash (Note 5)	4,211,343	147,422	4,358,765	219,912
Taxes, interest, and penalties receivable (Note 6)	3,963,798	-	3,963,798	-
Internal balances	7,589	(7,589)	-	-
Amounts due from component units	16,281	150	16,431	5,650
Amounts due from primary government	-	-	-	183,727
Amounts due from federal government	1,052,857	538	1,053,396	16,647
Amounts due from local units	213,319	11,802	225,122	752,264
Inventories	52,224	5,423	57,646	16,224
Investments (Note 8)	296,311	2,943,330	3,239,641	690,367
Securities lending collateral (Note 8)	-	203,945	203,945	-
Other current assets	461,673	194,753	656,427	358,921
Total Current Assets	10,288,180	3,500,515	13,788,695	2,544,473
Restricted assets:				
Cash and cash equivalents	-	-	-	486,435
Investments	-	-	-	665,472
Taxes, interest, and penalties receivable (Note 6)	830,000	-	830,000	-
Amounts due from federal government	889	-	889	-
Amounts due from local units	539,427	-	539,427	1,727,411
Mortgages and loans receivable (Note 9)	-	-	-	2,685,972
Investments (Note 8)	523,320	709,321	1,232,640	2,084,413
Capital assets (Note 10):				
Land and other non-depreciable assets	3,101,732	-	3,101,732	80,372
Buildings, equipment, and other depreciable assets	3,842,815	3,436	3,846,252	3,128,127
Less accumulated depreciation	(1,651,305)	(3,149)	(1,654,454)	(1,250,999)
Infrastructure	11,594,889	-	11,594,889	154,523
Construction in progress	862,339	-	862,339	209,851
Total capital assets	17,750,471	287	17,750,758	2,321,874
Interest in joint ventures (Note 7)	25,000	-	25,000	-
Other noncurrent assets	213,781	10,016	223,797	248,568
Total Assets	\$ 30,171,067	\$ 4,220,139	\$ 34,391,206	\$ 12,764,617
LIABILITIES				
Current Liabilities:				
Warrants outstanding	\$ 165,379	\$ 1,704	\$ 167,084	\$ 182
Accounts payable and other liabilities	2,625,178	225,420	2,850,598	378,456
Income tax refunds payable (Note 16)	618,030	-	618,030	-
Amounts due to component units	11,813	-	11,813	5,298
Amounts due to primary government	-	-	-	5,431
Bonds and notes payable (Notes 14 and 15)	338,651	-	338,651	914,661
Interest payable	93,653	-	93,653	88,464
Deferred revenue	62,163	222	62,385	54,608
Obligations under security lending	-	203,945	203,945	-
Current portion of other long-term obligations (Note 14)	265,909	463	266,371	2,313
Total Current Liabilities	4,180,776	431,753	4,612,530	1,449,413
Prize awards payable (Note 17)	-	615,647	615,647	-
Deferred revenue	19,543	-	19,543	1,699
Bonds and notes payable (Notes 14 and 15)	4,857,466	-	4,857,466	5,696,428
Noncurrent portion of other long-term obligations (Notes 14 and 18)	1,729,491	44,646	1,774,136	1,334,903
Total Liabilities	\$ 10,787,277	\$ 1,092,046	\$ 11,879,323	\$ 8,482,444

The accompanying notes are an integral part of the financial statements.

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2001

(In Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
NET ASSETS				
Invested in capital assets, net of related debt	\$ 15,129,844	\$ 287	\$ 15,130,131	\$ 1,582,576
Restricted for:				
Education	664,725	-	664,725	193,482
Construction and debt service	318,721	-	318,721	267,590
Public safety and corrections	16,513	-	16,513	-
Conservation, environment, recreation, and agriculture	413,747	-	413,747	-
Health services	24,906	-	24,906	-
Transportation	526,552	-	526,552	-
Intergovernmental-revenue sharing	199,449	-	199,449	-
Unemployment compensation	-	3,025,712	3,025,712	-
Other purposes	201,085	95,706	296,790	1,241,579
Funds held as permanent investments:				
Expendable	87,313	-	87,313	-
Nonexpendable	396,161	-	396,161	-
Unrestricted	1,404,776	6,388	1,411,164	996,947
Total Net Assets	<u>\$ 19,383,790</u>	<u>\$ 3,128,093</u>	<u>\$ 22,511,883</u>	<u>\$ 4,282,173</u>

Michigan

STATEMENT OF ACTIVITIES FISCAL YEAR ENDED SEPTEMBER 30, 2001 (In Thousands)

	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<u>Functions/Programs</u>				
Primary government:				
Governmental activities:				
General government	\$ 1,735,152	\$ 612,104	\$ 60,470	\$ 9,383
Education	14,109,560	12,836	925,741	-
Family independence services	3,627,815	66,365	2,287,028	-
Public safety and corrections	2,098,619	98,075	101,866	-
Conservation, environment, recreation, and agriculture	682,875	262,367	143,047	166
Labor, commerce, and regulatory	884,129	204,650	548,599	-
Health services	8,535,965	42,959	5,798,724	-
Transportation	2,766,735	197,536	389,867	657,888
Tax expenditures (Note 16)	532,800	-	-	-
Intergovernmental-revenue sharing	1,555,799	-	-	-
Interest on long-term debt	221,333	-	-	-
Total governmental activities	36,750,783	1,496,893	10,255,342	667,437
Business-type activities:				
Liquor Purchase Revolving Fund	479,359	592,084	-	-
State Lottery Fund	1,132,767	1,655,683	119,297	-
Michigan Unemployment Compensation Funds	1,485,947	1,050,123	194,332	-
Total business-type activities	3,098,072	3,297,891	313,629	-
Total primary government	\$ 39,848,855	\$ 4,794,784	\$ 10,568,971	\$ 667,437
Component units:				
Authorities:				
Michigan Education Trust	\$ 142,138	\$ 199	\$ 79,260	\$ -
Michigan State Housing Development Authority	305,329	159,936	172,450	-
Michigan Municipal Bond Authority	151,626	105,938	169,087	-
Non-Major	580,603	114,956	314,743	-
State Universities:				
Central Michigan University	252,962	144,340	24,663	3,213
Western Michigan University	381,847	200,483	26,403	151
Non-Major	1,099,492	532,953	136,231	62,756
Total component units	\$ 2,913,998	\$ 1,258,806	\$ 922,836	\$ 66,120

The accompanying notes are an integral part of the financial statements.

Michigan

STATEMENT OF ACTIVITIES FISCAL YEAR ENDED SEPTEMBER 30, 2001 (In Thousands)

	NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS			
	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ (1,053,196)	\$ -	\$ (1,053,196)	\$ -
Education	(13,170,983)	-	(13,170,983)	-
Family independence services	(1,274,422)	-	(1,274,422)	-
Public safety and corrections	(1,898,677)	-	(1,898,677)	-
Conservation, environment, recreation, and agriculture	(277,295)	-	(277,295)	-
Labor, commerce, and regulatory	(130,880)	-	(130,880)	-
Health services	(2,694,282)	-	(2,694,282)	-
Transportation	(1,521,443)	-	(1,521,443)	-
Tax expenditures (Note 16)	(532,800)	-	(532,800)	-
Intergovernmental-revenue sharing	(1,555,799)	-	(1,555,799)	-
Interest on long-term debt	(221,333)	-	(221,333)	-
Total governmental activities	(24,331,111)	-	(24,331,111)	-
Business-type activities:				
Liquor Purchase Revolving Fund	-	112,726	112,726	-
State Lottery Fund	-	642,214	642,214	-
Michigan Unemployment Compensation Funds	-	(241,492)	(241,492)	-
Total business-type activities	-	513,448	513,448	-
Total primary government	(24,331,111)	513,448	(23,817,663)	-
Component units:				
Authorities:				
Michigan Education Trust	-	-	-	(62,680)
Michigan State Housing Development Authority	-	-	-	27,057
Michigan Municipal Bond Authority	-	-	-	123,399
Non-Major	-	-	-	(150,904)
State Universities:				
Central Michigan University	-	-	-	(80,746)
Western Michigan University	-	-	-	(154,810)
Non-Major	-	-	-	(367,552)
Total component units	-	-	-	(666,236)
General revenues:				
Taxes:				
General:				
Sales and use	2,555,186	-	2,555,186	-
Personal income	5,483,584	-	5,483,584	-
Single business	2,207,500	-	2,207,500	-
Other	1,179,461	10,419	1,189,880	-
Restricted for educational purposes:				
Sales and use	5,117,360	-	5,117,360	-
Personal income	2,003,475	-	2,003,475	-
Education, property, and real estate transfers	1,742,445	-	1,742,445	-
Other	636,984	-	636,984	-
Restricted for transportation purposes:				
Sales and use	74,415	-	74,415	-
Gasoline and diesel fuel	1,077,187	-	1,077,187	-
Motor vehicle weight	777,903	-	777,903	-
Other	6,766	-	6,766	-
Unrestricted investment and interest earnings	159,194	4,248	163,442	28,981
Miscellaneous	668,970	1	668,972	48,884
Contributions to permanent fund principal	38,415	-	38,415	-
Payments from State of Michigan	-	-	-	807,340
Transfers	737,635	(737,635)	-	-
Total general and other revenue, payments, and transfers	24,466,480	(722,967)	23,743,513	885,205
Change in net assets	135,369	(209,519)	(74,150)	218,969
Net assets-beginning - restated	19,248,421	3,337,612	22,586,033	4,063,204
Net assets-ending	\$ 19,383,790	\$ 3,128,093	\$ 22,511,883	\$ 4,282,173

GOVERNMENTAL FUND FINANCIAL STATEMENTS



Major Funds

GENERAL FUND

This fund is the State's operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND

This fund, commonly referred to as the "Budget Stabilization Fund" or "Rainy Day Fund," was created by P.A. 76 of 1977 to assist in stabilizing revenue and employment during periods of economic recession and high unemployment. In general, transfers are made into this fund from the General Fund during improving economic times and funds flow from this fund to the General Fund in times of declining economy. Additional information regarding the fund is provided in Note 3.

SCHOOL AID FUND

An amendment to the 1908 State Constitution created this fund in 1955. The 1963 State Constitution provided for the fund's continued existence. Its purpose is to aid in the support of the public schools and the intermediate school districts of the State. School aid payments to school districts are based on a statutory formula.

The fund receives State revenues restricted to local school programs, including: the constitutionally dedicated sixty percent of the collections of sales tax imposed at a rate of 4% and all of the collections of sales tax imposed at the additional rate of 2%; State Lottery Fund earnings; a percentage of the adjusted gross receipts from casino gaming; the real estate transfer tax; and portions of the personal income, cigarette, liquor, and industrial and commercial facilities taxes. A constitutional amendment approved by voters in 1994 made structural changes in the method of financing local school districts. The amendment authorized the levy of a statewide property tax, which is deposited in the School Aid Fund. Appropriated transfers are also made from the General Fund.

Non-Major Funds

Non-major governmental funds are presented, by fund type, beginning on page 96.

Michigan

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2001 (In Thousands)

	GENERAL FUND	COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	TOTALS SEPTEMBER 30, 2001
ASSETS					
Current Assets:					
Cash	\$ 7,420	\$ -	\$ -	\$ 5,327	\$ 12,746
Equity in common cash (Note 5)	1,059,933	994,187	-	2,019,983	4,074,102
Taxes, interest, and penalties receivable (Note 6)	2,680,738	-	1,162,203	120,856	3,963,798
Amounts due from other funds (Note 20)	298,628	-	9,009	192,161	499,798
Amounts due from component units	582	-	-	15,699	16,281
Amounts due from federal agencies	847,038	-	2,286	203,533	1,052,857
Amounts due from local units	112,040	-	48,630	52,649	213,319
Inventories	24,353	-	-	8,155	32,508
Investments (Note 8)	-	-	-	296,311	296,311
Other current assets	306,121	-	1,233	130,838	438,192
Total Current Assets	<u>5,336,853</u>	<u>994,187</u>	<u>1,223,361</u>	<u>3,045,512</u>	<u>10,599,913</u>
Taxes, interest, and penalties receivable (Note 6)	693,432	-	130,221	6,347	830,000
Advances to other funds (Note 20)	7,210	-	-	26,442	33,652
Amounts due from federal agencies	889	-	-	-	889
Amounts due from local units	493,407	-	1,252	44,767	539,427
Investments (Note 8)	-	-	-	523,320	523,320
Other noncurrent assets	3,287	-	-	8,693	11,981
Total Assets	<u>\$ 6,535,078</u>	<u>\$ 994,187</u>	<u>\$ 1,354,835</u>	<u>\$ 3,655,081</u>	<u>\$ 12,539,181</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	\$ 134,908	\$ -	\$ 304	\$ 23,762	\$ 158,974
Accounts payable and other liabilities (Note 25)	1,601,998	-	125,217	847,715	2,574,930
Income tax refunds payable (Note 16)	618,030	-	-	-	618,030
Amounts due to other funds (Note 20)	27,641	-	117,304	375,916	520,861
Amounts due to component units	11,654	-	-	159	11,813
Interest payable	-	-	-	478	478
Deferred revenue	1,458,293	-	277,676	126,342	1,862,310
Total Current Liabilities	<u>3,852,525</u>	<u>-</u>	<u>520,501</u>	<u>1,374,371</u>	<u>5,747,396</u>
Long-Term Liabilities:					
Advances from other funds (Note 20)	-	-	-	26,442	26,442
Deferred revenue	774,029	-	130,221	25,169	929,419
Total Liabilities	<u>4,626,553</u>	<u>-</u>	<u>650,722</u>	<u>1,425,982</u>	<u>6,703,257</u>
Fund Balances:					
Reserved fund balance (Note 24)	1,880,452	-	9,317	1,384,205	3,273,975
Unreserved fund balance reported in:					
General fund	28,072	-	-	-	28,072
Special revenue funds	-	994,187	694,796	773,050	2,462,033
Debt service funds	-	-	-	318,721	318,721
Capital projects funds	-	-	-	(287,958)	(287,958)
Permanent funds	-	-	-	41,082	41,082
Total Fund Balances	<u>1,908,525</u>	<u>994,187</u>	<u>704,113</u>	<u>2,229,100</u>	<u>5,835,924</u>
Total Liabilities and Fund Balances	<u>\$ 6,535,078</u>	<u>\$ 994,187</u>	<u>\$ 1,354,835</u>	<u>\$ 3,655,081</u>	<u>\$ 12,539,181</u>

The accompanying notes are an integral part of the financial statements.

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

SEPTEMBER 30, 2001

(In Thousands)

Total fund balances for governmental funds \$ 5,835,924

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. (Note 10)

Land and other non-depreciable assets	3,101,732	
Buildings, equipment, and other depreciable assets	3,558,728	
Infrastructure	11,594,889	
Construction in progress	862,339	
Interest in joint ventures	25,000	
Accumulated depreciation	<u>(1,481,368)</u>	17,661,320

Certain tax revenues are earned but not available and therefore are
deferred in the funds. 2,546,248

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds. 169,106

Internal service funds are used by management to charge the costs of
certain activities, such as insurance and telecommunications, to
individual funds. The assets and liabilities of the internal service funds
are included in governmental activities in the Statement of Net Assets. 118,286

Certain pension trust funds have been funded in excess of the annual
required contributions, creating a year-end asset. This asset is not a
current available resource and is not reported in the funds. (Note 11) 103,879

Deferred issue costs are reported as current expenditures in the funds.
However, deferred issue costs are amortized over the life of the bonds
and are included in the governmental activities in the Statement of Net
Assets. 8,843

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the funds. (Note 14)

Capital lease obligations	(228,454)	
Compensated absences	(431,740)	
Workers' Compensation	(199,850)	
Litigation	(887,851)	
Net pension obligations	(19,536)	
Arbitrage	<u>(5,417)</u>	(1,772,848)

Long-term bonded debt is not due and payable in the current period and
therefore is not reported in the funds. Unamortized premiums, loss on
refundings, and interest payable are not reported in the funds. However,
these amounts are included in the Statement of Net Assets. This is the
net effect of these balances on the statement. (Note 14)

Bonds and notes payable	(5,172,523)	
Unamortized premiums	(43,942)	
Less deferred loss amount on refundings	20,348	
Accrued interest payable	<u>(90,852)</u>	<u>(5,286,969)</u>

Net assets of governmental activities \$ 19,383,790

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	GENERAL	COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	SCHOOL AID FUND	NON-MAJOR FUNDS	TOTALS SEPTEMBER 30, 2001
REVENUES					
Taxes	\$ 11,013,063	\$ -	\$ 9,407,071	\$ 1,984,890	\$ 22,405,023
From federal agencies	8,310,763	-	148,627	1,113,507	9,572,898
From local agencies	106,676	-	-	121,320	227,996
From services	114,645	-	-	700	115,346
From licenses and permits	219,732	-	-	171,923	391,655
Special Medicaid reimbursements	1,155,374	-	-	-	1,155,374
Miscellaneous	511,912	66,736	117,380	715,601	1,411,628
Total Revenues	21,432,165	66,736	9,673,078	4,107,942	35,279,920
EXPENDITURES					
Current:					
General government	1,126,062	-	-	151,760	1,277,822
Education	2,930,894	-	10,955,944	289,222	14,176,060
Family independence services	3,596,001	-	-	2,590	3,598,591
Public safety and corrections	2,155,711	-	-	3,890	2,159,602
Conservation, environment, recreation, and agriculture	362,546	-	-	273,733	636,279
Labor, commerce, and regulatory	684,164	-	-	196,905	881,069
Health services	8,478,167	-	-	47,268	8,525,435
Transportation	-	-	-	2,058,484	2,058,484
Tax expenditures (Note 16)	532,800	-	-	-	532,800
Capital outlay	68,146	-	-	1,463,998	1,532,145
Intergovernmental-revenue sharing	1,555,799	-	-	-	1,555,799
Debt service:					
Bond principal retirement	-	-	-	219,552	219,552
Bond interest and fiscal charges	-	-	-	201,980	201,980
Capital lease payments	47,763	-	-	1,057	48,820
Total Expenditures	21,538,055	-	10,955,944	4,910,440	37,404,438
Excess of Revenues over (under)					
Expenditures	(105,890)	66,736	(1,282,867)	(802,498)	(2,124,519)
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	-	-	-	1,223,549	1,223,549
Premium on bond issuance	-	-	-	44,373	44,373
Refunding bonds issued	-	-	-	630,812	630,812
Payment to refunded bond escrow agent	-	-	-	(698,723)	(698,723)
Extinguishment of commercial paper	-	-	-	(40,680)	(40,680)
Capital lease acquisitions	23,014	-	-	-	23,014
Transfers from other funds	627,049	-	1,004,237	1,554,629	3,185,915
Transfers to other funds	(736,981)	(336,983)	(2,889)	(1,334,338)	(2,411,191)
Total Other Financing Sources (Uses)	(86,919)	(336,983)	1,001,348	1,379,623	1,957,070
Excess of Revenues and Other Sources over (under)					
Expenditures Other Uses	(192,808)	(270,247)	(281,518)	577,125	(167,449)
Fund Balances - Beginning of fiscal year - restated	2,101,333	1,264,434	985,632	1,651,975	6,003,373
Fund Balances - End of fiscal year	\$ 1,908,525	\$ 994,187	\$ 704,113	\$ 2,229,100	\$ 5,835,924

The accompanying notes are an integral part of the financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

SEPTEMBER 30, 2001

(In Thousands)

Net change in fund balance - total governmental funds \$ (167,449)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.
(Note 10)

Land and other non-depreciable assets	77,988	
Buildings, equipment, and other depreciable assets	232,900	
Infrastructure	49,699	
Construction in progress	418,383	
Accumulated depreciation	<u>(161,908)</u>	617,062

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 496,006

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 50,243

Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets. This is the amount proceeds exceed repayments. (Note 14)

Bond proceeds and premiums received	(1,898,698)	
Repayment of bond principal	219,552	
Payment to refunded bond escrow agent	698,723	
Extinguishment of commercial paper	40,680	
Accrued interest	4,300	
Deferred issue costs	8,843	
Loss on refunding	<u>(20,709)</u>	(947,307)

Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.
(Note 14)

Excess contributions to pension funds	9,935	
Capital lease payments	28,466	
Compensated absences payments	30,570	
Litigation payments	22,668	
Workers' compensation	<u>(4,824)</u>	86,815

Change in net assets of governmental activities \$ 135,369

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS



Major Funds

STATE LOTTERY FUND

Public Act 239 of 1972 established the State Lottery Fund and created a Bureau of State Lottery under authority of Article 5, Section 4, of the State Constitution. This authority expired on August 1, 1974, at which time the Bureau became an organizational entity in the Department of Management and Budget. The Bureau was transferred to the Department of Treasury during fiscal year 1990-91. Net income of the fund related to lottery operations is transferred to the School Aid Fund and the fund's net income related to bingo and charity games regulation is transferred to the General Fund. The remaining net assets balance represents the unrealized cumulative gain or loss on investments, as required by GASB Statement No. 31.

Revenues and related expenses are recognized in the period during which the related drawings are held. Deferred prize awards are recorded as expenses and liabilities at their discounted present value. The State Treasurer invests funds equivalent to the discounted value of the installment payments and the Lottery Fund is credited with the interest earnings.

MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS

The columns for the Michigan Unemployment Compensation Funds reflect the activity of two funds administered by the Unemployment Agency within the Department of Consumer and Industry Services: the Michigan Unemployment Compensation Fund and the Michigan Employment Security Act Contingent Fund. The Michigan Unemployment Compensation Fund receives contributions from employers and provides for the payment of benefits to eligible unemployed workers. The fund also makes payments under certain federally funded programs. Administrative costs of the fund are accounted for in the Michigan Employment Security Act - Administration Fund, a special revenue fund.

Administered under the supervision of the Director of Employment Security, the Michigan Employment Security Act Contingent Fund was created by P.A. 535 of 1982 to receive a special temporary unemployment tax surcharge, known as the solvency tax. The fund also receives interest and penalty charges on late contributions. Public Act 224 of 1989 restricts use of solvency taxes for payment of interest on the Michigan Unemployment Compensation borrowings from the federal government.

Non-Major Funds

LIQUOR PURCHASE REVOLVING FUND

Public Act 259 of 1941 authorized the creation of the Liquor Purchase Revolving Fund. The Liquor Control Commission, within the Department of Consumer and Industry Services, is primarily responsible for the fund. Under State monopoly, liquor is sold at wholesale through a State controlled, privately operated distribution system. The fund accounts for the sales of and the replenishing and transporting of the liquor stock. Administrative, warehousing, and delivery costs are paid for through the fund. At the end of each fiscal year, the "net income" of the fund is transferred to the General Fund in accordance with P.A. 431 of 1984.

Individual fund statements for the Internal Service Funds, whose combined totals are presented on this statement, begin on page 166.

Michigan

STATEMENT OF NET ASSETS PROPRIETARY FUNDS SEPTEMBER 30, 2001 (In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MAJOR		NON-MAJOR	TOTALS	
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	LIQUOR PURCHASE REVOLVING FUND	SEPTEMBER 30, 2001	
ASSETS					
Current Assets:					
Cash	\$ 2	\$ 739	\$ 1	\$ 741	\$ 38
Equity in common cash (Note 5)	7,463	87,565	52,393	147,422	137,241
Amounts due from other funds (Note 20)	-	4,386	-	4,386	40,163
Amounts due from component units	-	150	-	150	-
Amounts due from federal agencies	-	538	-	538	-
Amounts due from local units	-	11,802	-	11,802	-
Inventories	2,131	-	3,291	5,423	19,716
Investments (Note 8)	108,783	2,834,547	-	2,943,330	-
Securities lending collateral	203,945	-	-	203,945	-
Other current assets	50,595	138,313	5,845	194,753	23,129
Total Current Assets	372,920	3,078,041	61,530	3,512,491	220,287
Investments (Note 8)	709,321	-	-	709,321	-
Capital Assets (Note 10):					
Buildings and equipment	3,436	-	-	3,436	284,087
Allowance for depreciation	(3,149)	-	-	(3,149)	(169,936)
Total capital assets	287	-	-	287	114,151
Other noncurrent assets	-	10,016	-	10,016	89,020
Total Assets	\$ 1,082,527	\$ 3,088,058	\$ 61,530	\$ 4,232,115	\$ 423,458
LIABILITIES					
Current Liabilities:					
Warrants outstanding	\$ 1,563	\$ -	\$ 142	\$ 1,704	\$ 6,405
Accounts payable and other liabilities (Note 25)	154,773	17,292	53,354	225,420	35,122
Amounts due to other funds (Note 20)	9,069	2,828	79	11,976	26,422
Deferred revenue	-	222	-	222	5,138
Obligations under security lending	203,945	-	-	203,945	-
Current portion of other long-term obligations (Note 14)	130	-	332	463	113,586
Total Current Liabilities	369,481	20,342	53,907	443,729	186,672
Long-Term Liabilities:					
Advances from other funds (Note 20)	-	-	-	-	7,210
Prize awards payable (Note 17)	615,647	-	-	615,647	-
Noncurrent portion of other long-term obligations (Note 14)	1,694	42,004	948	44,646	111,289
Total Liabilities	986,822	62,346	54,854	1,104,022	305,172
NET ASSETS					
Invested in capital assets, net of related debt	\$ 287	\$ -	\$ -	\$ 287	\$ 85,347
Restricted for:					
Unemployment compensation	-	3,025,712	-	3,025,712	-
Other purposes	95,706	-	-	95,706	11,884
Unrestricted	(287)	-	6,676	6,388	21,055
Total Net Assets	\$ 95,706	\$ 3,025,712	\$ 6,676	\$ 3,128,093	\$ 118,286

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MAJOR		NON-MAJOR	TOTALS	
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	LIQUOR PURCHASE REVOLVING FUND	SEPTEMBER 30, 2001	
OPERATING REVENUES					
Operating revenues	\$ 1,655,683	\$ 1,050,123	\$ 592,084	\$ 3,297,891	\$ 1,076,940
Total Operating Revenues	1,655,683	1,050,123	592,084	3,297,891	1,076,940
OPERATING EXPENSES					
Salaries, wages, and other administrative	195,442	-	46,825	242,267	168,084
Depreciation	242	-	-	242	37,576
Purchases for resale	-	-	431,737	431,737	46,185
Purchases for prison industries	-	-	-	-	15,528
Lottery prize awards	873,325	-	-	873,325	-
Premiums and claims	-	-	1	1	704,712
Unemployment benefits	-	1,458,848	-	1,458,848	-
Other operating expenses	-	27,099	796	27,895	61,566
Total Operating Expenses	1,069,009	1,485,947	479,359	3,034,314	1,033,651
Operating Income (Loss)	586,675	(435,824)	112,726	263,577	43,289
NONOPERATING REVENUES (EXPENSES)					
Specific tax on spirits	-	-	10,419	10,419	-
Interest revenue	4,184	4,626	4,248	13,058	-
Investment revenue (expense) - net	115,113	189,706	-	304,819	-
Other nonoperating revenues	1	-	-	1	11,410
Amortization of prize award obligation discount	(53,080)	-	-	(53,080)	-
Interest expense	(10,648)	-	-	(10,648)	(1,083)
Other nonoperating expense	(31)	-	-	(31)	(3,130)
Total Nonoperating Revenues (Expenses)	55,541	194,332	14,667	264,539	7,198
Income (Loss) Before Transfers	642,215	(241,492)	127,393	528,116	50,487
TRANSFERS					
Transfers to:					
School Aid Fund	(587,009)	-	-	(587,009)	-
Other funds	(10,377)	(12,856)	(127,393)	(150,626)	(244)
Total transfers to other funds	(597,386)	(12,856)	(127,393)	(737,635)	(244)
Total Transfers In (Out)	(597,386)	(12,856)	(127,393)	(737,635)	(244)
Change in net assets	44,829	(254,348)	-	(209,519)	50,243
Total net assets - Beginning of fiscal year - restated	50,877	3,280,059	6,676	3,337,612	68,043
Total net assets - End of fiscal year	\$ 95,706	\$ 3,025,712	\$ 6,676	\$ 3,128,093	\$ 118,286

The accompanying notes are an integral part of the financial statements.

Michigan

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FISCAL YEAR ENDED SEPTEMBER 30, 2001 (In Thousands)

BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS					
	MAJOR		NON-MAJOR	TOTALS	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	LIQUOR PURCHASE REVOLVING FUND	SEPTEMBER 30, 2001	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from federal and local agencies	\$ -	\$ 27,770	\$ -	\$ 27,770	\$ -
Receipts from customers	1,631,473	11,263	592,082	2,234,818	1,074,760
Payments to employees	(12,557)	(2,694)	(14,299)	(29,551)	(49,926)
Payments to suppliers	(39,587)	-	(465,528)	(505,115)	(385,061)
Payments to prize winners	(962,928)	-	-	(962,928)	-
Payments for commissions to retailers	(143,259)	-	-	(143,259)	-
Claims paid	-	(1,468,890)	-	(1,468,890)	(545,048)
Other receipts	-	1,010,073	-	1,010,073	2,006
Other payments	-	-	(1,517)	(1,517)	(16,482)
Net cash provided (used)					
by operating activities	\$ 473,142	\$ (422,478)	\$ 110,737	\$ 161,401	\$ 80,250
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Loans or loan repayments from other funds	\$ -	\$ -	\$ -	\$ -	\$ 4,427
Loans or loan repayments to other funds	-	-	-	-	(5,427)
Specific tax on spirits	-	-	10,419	10,419	-
Transfers to other funds	(588,377)	(12,856)	(127,393)	(728,626)	(244)
Net cash provided (used)					
by noncapital financing activities	\$ (588,377)	\$ (12,856)	\$ (116,974)	\$ (718,207)	\$ (1,244)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	\$ (109)	\$ -	\$ -	\$ (109)	\$ (31,394)
Principal paid on bond and loan maturities	-	-	-	-	(6,881)
Interest paid	-	-	-	-	(219)
Capital lease payments (including imputed interest expense)	-	-	-	-	(8,089)
Proceeds from sale of capital assets	1	-	-	1	541
Net cash provided (used) by capital and related financing activities	\$ (108)	\$ -	\$ -	\$ (108)	\$ (46,041)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale and maturities of investment securities	\$ 110,458	\$ 245,660	\$ -	\$ 356,118	\$ -
Interest and dividends on investments	4,184	194,331	4,248	202,763	11,410
Income from securities lending activities	11,405	-	-	11,405	-
Expenses from securities lending activities	(10,648)	-	-	(10,648)	-
Net cash provided (used)					
by investing activities	\$ 115,400	\$ 439,991	\$ 4,248	\$ 559,638	\$ 11,410
Net cash provided (used) - all activities	\$ 56	\$ 4,657	\$ (1,989)	\$ 2,725	\$ 44,375
Cash and cash equivalents at beginning of year	5,846	83,647	54,240	143,734	86,499
Cash and cash equivalents at end of year	\$ 5,902	\$ 88,304	\$ 52,252	\$ 146,458	\$ 130,873

The accompanying notes are an integral part of the financial statements.

Michigan

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FISCAL YEAR ENDED SEPTEMBER 30, 2001 (In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MAJOR		NON-MAJOR	TOTALS	
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	LIQUOR PURCHASE REVOLVING FUND	SEPTEMBER 30, 2001	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 586,675	\$ (435,824)	\$ 112,726	\$ 263,577	\$ 43,289
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	242	-	-	242	37,576
Amortization of pre-paid expense	-	-	-	-	93
Amortization of prize award obligation discount	(53,080)	-	-	(53,080)	-
Other reconciling items	103	-	-	103	21
Net changes in assets and liabilities:					
Inventories	180	-	(383)	(204)	(1,302)
Other assets (net)	(922)	9,375	(720)	7,733	(4,070)
Accounts payable and other liabilities	(244)	4,036	(883)	2,909	4,644
Prize awards payable	(59,812)	-	-	(59,812)	-
Deferred revenue	-	(65)	(2)	(67)	-
Net cash provided (used) by operating activities	<u>\$ 473,142</u>	<u>\$ (422,478)</u>	<u>\$ 110,737</u>	<u>\$ 161,401</u>	<u>\$ 80,250</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Cost of capital assets acquisitions financed by capital leases	\$ -	\$ -	\$ -	\$ -	\$ 19,335
Capital lease liabilities entered into during the year	-	-	-	-	(19,335)
Increase (decrease) in fair value of investments	44,829	-	-	44,829	-
Transfers to other funds (accrual)	(9,009)	-	-	(9,009)	-
Gain (loss) on disposal of capital assets	(31)	-	-	(31)	(3,118)
Total noncash investing, capital, and financing activities	<u>\$ 35,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,789</u>	<u>\$ (3,118)</u>

FIDUCIARY FUND FINANCIAL STATEMENTS



Individual fund descriptions and financial statements begin on the following pages:

- Pension (and Other Employee Benefit) Trust Funds, page 174
- Private Purpose Trust Funds, page 180
- Agency Funds, page 185

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

SEPTEMBER 30, 2001

(In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash	\$ 565	\$ 386	\$ 7,935
Equity in common cash (Note 5)	157,568	47,511	4,425
Receivables:			
From participants	92,772	-	-
From employers	357,437	-	-
Interest and dividends	166,355	376	-
Due from other funds (Note 20)	15,126	-	-
Sale of investments	1,555	-	-
Investments at fair value (Note 8):			
Short term investments	3,641,279	164	17,174
Bonds, notes, mortgages, and preferred stock	9,259,610	14,289	103,421
Common stock	18,871,164	85	-
Real estate	4,241,169	-	-
Alternative investments	6,906,286	-	-
International investments	2,987,682	-	-
Mutual funds	1,525,522	51,319	-
Pooled investment funds	1,508,482	4,437	-
Money market funds	88,261	-	-
Securities lending collateral (Note 8)	1,946,262	-	-
Capital assets:			
Buildings and equipment	24	-	-
Allowance for depreciation	(24)	-	-
Total capital assets	-	-	-
Other current assets	-	5,130	4,329
Other noncurrent assets	-	-	349,587
Total assets	\$ 51,767,096	\$ 123,697	\$ 486,872
LIABILITIES			
Warrants outstanding	\$ 13,357	\$ 2,202	\$ 145
Accounts payable and other liabilities	273,451	5,318	33,950
Amounts due to other funds (Note 20)	1	-	215
Obligations under security lending	1,946,262	-	-
Other long-term liabilities	-	-	452,562
Total liabilities	\$ 2,233,072	\$ 7,519	\$ 486,872
NET ASSETS			
Net assets held in trust for pension, postemployment health-care, other employee benefits, and other purposes	\$ 49,534,024	\$ 116,178	
Reconciliation of net assets held in trust:			
Pension benefits (Note 11)	\$ 46,206,548	\$ -	
Postemployment health-care benefits	238,714	-	
Other employee benefits (Note 19)	3,088,761	-	
Other purposes	-	116,178	
Total net assets held in trust for benefits and other purposes	\$ 49,534,024	\$ 116,178	

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 SEPTEMBER 30, 2001
 (In Thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS		
Contributions:		
From participants	\$ 604,833	\$ 62,849
From employers	1,614,243	-
From clients	-	37,304
From gifts, bequests, and endowments	-	177
From other plans	2,873	-
Investment income:		
Net appreciation (depreciation) in fair value of investments	(8,111,910)	(6,649)
Interest, dividends, and other	1,621,621	2,489
Securities lending income	64,592	-
Less investment expense:		
Investment activity expense	71,159	119
Securities lending expense	59,465	-
Net investment income (loss)	(6,556,321)	(4,280)
Escheated property	-	33,492
Miscellaneous income	3,134	1,145
Transfers from other funds	-	740
Total Additions	<u>(4,331,238)</u>	<u>131,428</u>
DEDUCTIONS		
Benefits paid to participants or beneficiaries	2,624,308	888
Medical, dental, and life insurance for retirees	730,990	-
Refunds and transfers to other systems	21,455	1
Amounts distributed to clients or third parties	-	37,887
Administrative expense	71,041	8
Transfers to other funds	-	37,585
Total Deductions	<u>3,447,794</u>	<u>76,369</u>
Net increase (decrease)	(7,779,032)	55,059
Net assets - Beginning of fiscal year - restated	<u>57,313,056</u>	<u>61,119</u>
Net assets - End of fiscal year (Note 11)	<u><u>\$ 49,534,024</u></u>	<u><u>\$ 116,178</u></u>
Reconciliation of net increase in assets:		
Net increase (decrease) in assets held in trust for pension benefits	\$ (7,400,673)	\$ -
Net increase (decrease) in assets held in trust for postemployment benefits	87,773	-
Net increase (decrease) in assets held in trust for other employee benefits	(466,132)	-
Net increase (decrease) in assets held in trust for other purposes	-	55,059
Total net increase (decrease)	<u><u>\$ (7,779,032)</u></u>	<u><u>\$ 55,059</u></u>

The accompanying notes are an integral part of the financial statements.

COMPONENT UNIT FINANCIAL STATEMENTS



Major Funds

MICHIGAN EDUCATION TRUST

The Michigan Education Trust (MET) operates a prepaid tuition program. A purchaser enters into a contract with MET which provides that in return for a specified actuarially determined payment, MET will provide a Michigan child's undergraduate tuition at any Michigan public university or community college. The amount the purchaser is required to pay is based on several factors, among them are tuition costs, the child's age and grade in school, anticipated investment earnings, tuition rate increases, and the type of contract purchased.

Public Act 316 of 1986 created MET. MET is governed by a nine-member board that consists of the State Treasurer and eight other individuals appointed by the Governor with the advice and consent of the Senate. Although MET is administratively located within the Michigan Department of Treasury, the Act provides its assets are not to be considered assets of the State and are not to be loaned or otherwise transferred or used by the State for any purpose other than the purposes specified in the Act. The Act and contracts also specifically provide that the State is not liable if MET becomes actuarially unsound. In that event, the contracts provide for refunds to participants.

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

Public Act 346 of 1966, as amended, created the Michigan State Housing Development Authority (MSHDA) to issue notes and bonds to finance housing for sale or rental to families with low or moderate incomes and to finance home improvements. MSHDA is also the administrator of various "Section 8" housing programs in Michigan for the U.S. Department of Housing and Urban Development. The Governor appoints MSHDA's board members.

MICHIGAN MUNICIPAL BOND AUTHORITY

Public Act 227 of 1985, as amended, created the Michigan Municipal Bond Authority (MMBA) to assist local units of government in reducing their financing costs for public improvements, deficit reduction, and various other municipal purposes. MMBA pools the borrowing needs of various units and issues limited obligation debt; the proceeds of which are used to purchase local unit obligations or to make loans to local units.

MMBA is governed by a board of trustees consisting of the State Treasurer, two appointees of the Governor, and five state residents appointed by the Governor, with the advice and consent of the Senate.

MMBA and the Department of Environmental Quality serve as co-administrators of a special State Revolving Fund, which is reported as part of MMBA. The State Revolving Fund assists governmental units in financing water quality projects. Federal government and State matching provides financing for this activity along with investment interest earnings and/or other available funds. MMBA's separately issued financial reports provide a separate accounting of this fund's activities.

CENTRAL MICHIGAN UNIVERSITY AND WESTERN MICHIGAN UNIVERSITY

Central Michigan University and Western Michigan University are the two major universities of the ten included in this report. They are legally separate entities whose governing boards are appointed by the Governor and for which the State is therefore, defined as legally accountable. Excluded from this report are three other universities (University of Michigan, Michigan State University and Wayne State University) whose board members are elected by the voters and, therefore, considered separate special purpose governments.

Non-Major Funds

The non-major component unit - authorities are presented beginning on page 190.

The non-major component unit - State universities are presented beginning on page 194.

STATEMENT OF NET ASSETS
COMPONENT UNITS
SEPTEMBER 30, 2001
(In Thousands)

	AUTHORITIES			
	MICHIGAN EDUCATION TRUST	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	MICHIGAN MUNICIPAL BOND AUTHORITY	NON-MAJOR
ASSETS				
Current Assets:				
Cash	\$ 135,764	\$ -	\$ 141	\$ 28,596
Equity in common cash (Note 5)	-	-	19,527	200,384
Amounts due from component units	-	-	-	5,298
Amounts due from primary government	906	-	609	11,007
Amounts due from federal government	-	-	-	7,361
Amounts due from local units	-	-	751,652	2
Inventories	-	-	-	520
Investments (Note 8)	-	-	483,427	35,362
Other current assets	18,695	68,382	53,321	133,780
Total Current Assets	<u>155,364</u>	<u>68,382</u>	<u>1,308,678</u>	<u>422,311</u>
Restricted assets:				
Cash and cash equivalents	-	356,487	-	128,931
Investments	-	562,055	-	103,417
Amounts due from local units	-	-	1,727,411	-
Mortgages and loans receivable	-	1,855,219	-	762,068
Investments (Note 8)	684,707	-	1,000,953	83,982
Capital assets:				
Land and other non-depreciable assets	-	-	-	843
Buildings, equipment, and other depreciable assets	-	-	-	43,230
Less accumulated depreciation	-	-	-	(11,582)
Infrastructure	-	-	-	99,564
Construction in progress	-	-	-	1,411
Total capital assets	-	-	-	133,465
Other noncurrent assets	21,991	51,079	141,007	11,150
Total Assets	<u>\$ 862,062</u>	<u>\$ 2,893,222</u>	<u>\$ 4,178,048</u>	<u>\$ 1,645,324</u>
LIABILITIES				
Current Liabilities:				
Warrants outstanding	\$ -	\$ -	\$ -	\$ 182
Accounts payable and other liabilities	60,008	14,405	8,889	65,701
Amounts due to component units	-	-	-	5,298
Amounts due to primary government	-	-	218	1,450
Bonds and notes payable (Note 15)	-	54,465	723,008	95,293
Interest payable	-	17,008	58,923	8,193
Deferred revenue	-	-	-	1,854
Current portion of other long-term obligations	-	-	-	2,313
Total Current Liabilities	<u>60,008</u>	<u>85,879</u>	<u>791,037</u>	<u>180,283</u>
Deferred revenue	-	-	-	-
Bonds and notes payable (Note 15)	-	1,951,729	2,160,827	841,010
Noncurrent portion of other long-term obligations	699,284	447,947	83,582	51,474
Total Liabilities	<u>\$ 759,292</u>	<u>\$ 2,485,555</u>	<u>\$ 3,035,446</u>	<u>\$ 1,072,767</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ 126,527
Restricted for:				
Education	-	-	-	-
Construction and debt service	-	173,599	-	12,186
Other purposes	102,770	-	1,134,826	1,384
Unrestricted	-	234,069	7,776	432,459
Total Net Assets	<u>\$ 102,770</u>	<u>\$ 407,667</u>	<u>\$ 1,142,602</u>	<u>\$ 572,557</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF NET ASSETS
COMPONENT UNITS
SEPTEMBER 30, 2001
(In Thousands)

	STATE UNIVERSITIES			TOTALS
	CENTRAL MICHIGAN UNIVERSITY	WESTERN MICHIGAN UNIVERSITY	NON-MAJOR	SEPTEMBER 30, 2001
ASSETS				
Current Assets:				
Cash	\$ 19,377	\$ 8,917	\$ 107,965	\$ 300,760
Equity in common cash (Note 5)	-	-	-	219,912
Amounts due from component units	26	-	326	5,650
Amounts due from primary government	43,629	22,872	104,704	183,727
Amounts due from federal government	959	2,273	6,053	16,647
Amounts due from local units	-	-	610	752,264
Inventories	2,813	5,243	7,648	16,224
Investments (Note 8)	-	83,867	87,711	690,367
Other current assets	15,663	11,752	57,329	358,921
Total Current Assets	82,469	134,924	372,346	2,544,473
Restricted assets:				
Cash and cash equivalents	-	-	1,016	486,435
Investments	-	-	-	665,472
Amounts due from local units	-	-	-	1,727,411
Mortgages and loans receivable	7,633	7,622	53,429	2,685,972
Investments (Note 8)	103,815	35,604	175,352	2,084,413
Capital assets:				
Land and other non-depreciable assets	9,734	9,495	60,301	80,372
Buildings, equipment, and other depreciable assets	333,226	653,771	2,097,899	3,128,127
Less accumulated depreciation	(169,999)	(261,395)	(808,022)	(1,250,999)
Infrastructure	9,231	-	45,728	154,523
Construction in progress	48,100	41,063	119,277	209,851
Total capital assets	230,292	442,934	1,515,183	2,321,874
Other noncurrent assets	-	5,163	18,179	248,568
Total Assets	\$ 424,209	\$ 626,246	\$ 2,135,505	\$ 12,764,617
LIABILITIES				
Current Liabilities:				
Warrants outstanding	\$ -	\$ -	\$ -	\$ 182
Accounts payable and other liabilities	40,683	60,215	128,554	378,456
Amounts due to component units	-	-	-	5,298
Amounts due to primary government	597	11	3,156	5,431
Bonds and notes payable (Note 15)	3,365	22,759	15,771	914,661
Interest payable	1,059	-	3,281	88,464
Deferred revenue	9,770	8,484	34,500	54,608
Current portion of other long-term obligations	-	-	-	2,313
Total Current Liabilities	55,474	91,470	185,263	1,449,413
Deferred revenue	-	-	1,699	1,699
Bonds and notes payable (Note 15)	91,354	217,786	433,721	5,696,428
Noncurrent portion of other long-term obligations	15,100	-	37,516	1,334,903
Total Liabilities	\$ 161,928	\$ 309,256	\$ 658,199	\$ 8,482,444
NET ASSETS				
Invested in capital assets, net of related debt	\$ 135,573	\$ 216,668	\$ 1,103,807	\$ 1,582,576
Restricted for:				
Education	27,371	20,530	145,581	193,482
Construction and debt service	7,026	31,142	43,637	267,590
Other purposes	-	-	2,598	1,241,579
Unrestricted	92,311	48,650	181,683	996,947
Total Net Assets	\$ 262,281	\$ 316,990	\$ 1,477,306	\$ 4,282,173

Michigan

STATEMENT OF ACTIVITIES COMPONENT UNITS FISCAL YEAR ENDED SEPTEMBER 30, 2001 (In Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	
Authorities:					
Michigan Education Trust	\$ 142,138	\$ 199	\$ 79,260	\$ -	\$ (62,680)
Michigan State Housing Development Authority	305,329	159,936	172,450	-	27,057
Michigan Municipal Bond Authority	151,626	105,938	169,087	-	123,399
Non-Major	580,603	114,956	314,743	-	(150,904)
State Universities:					
Central Michigan University	252,962	144,340	24,663	3,213	(80,746)
Western Michigan University	381,847	200,483	26,403	151	(154,810)
Non-Major	1,099,492	532,953	136,231	62,756	(367,552)
Total	<u>\$ 2,913,998</u>	<u>\$ 1,258,806</u>	<u>\$ 922,836</u>	<u>\$ 66,120</u>	<u>\$ (666,236)</u>
General revenues:					
Interest and investment earnings					28,981
Payments from State of Michigan					807,340
Other					48,884
Total general revenues					<u>885,205</u>
Change in net assets					218,969
Net assets -- beginning - restated					<u>4,063,204</u>
Net assets -- ending					<u>\$ 4,282,173</u>

The accompanying notes are an integral part of the financial statements.

Index
Notes to the Financial Statements

	<u>Page</u>
NOTE 1 - Summary of Significant Accounting Policies	43
NOTE 2 - Funds and Component Units by Classification	48
NOTE 3 - Budgeting, Budgetary Control, and Legal Compliance	49
NOTE 4 - Accounting Changes and Restatements	50
NOTE 5 - Treasurer's Common Cash	53
NOTE 6 - Taxes Receivable.....	54
NOTE 7 - Joint Ventures and Affiliated Foundations.....	55
NOTE 8 - Deposits and Investments.....	56
NOTE 9 - Mortgages and Loans Receivable - Discretely Presented Component Units	60
NOTE 10 - Capital Assets	60
NOTE 11 - Pension Benefits and Other Postemployment Benefits	63
NOTE 12 - Compensated Absences	68
NOTE 13 - Leases.....	68
NOTE 14 - Long-Term Liabilities.....	70
NOTE 15 - Bonds and Notes Payable - Discretely Presented Component Units	75
NOTE 16 - Income Tax Refunds and Tax Expenditures	76
NOTE 17 - Lottery Prize Awards Payable	76
NOTE 18 - Other Long-Term Liabilities.....	77
NOTE 19 - Deferred Compensation Plans	77
NOTE 20 - Interfund Receivables and Payables.....	78
NOTE 21 - Interfund Commitments.....	79
NOTE 22 - Interfund Transfers.....	79
NOTE 23 - Fund Deficits	80
NOTE 24 - Fund Balances	80
NOTE 25 - Disaggregation of Payables	81
NOTE 26 - Contingencies and Commitments	82
NOTE 27 - Risk Management	84
NOTE 28 - Subsequent Events	85

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the State conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). Following is a summary of the significant policies:

A. Reporting Entity

Michigan was admitted to the Union as the twenty-sixth state in 1837. The State of Michigan is governed under the Constitution of 1963, as amended. The legislative power is vested in a 38-member senate and a 110-member house of representatives; executive power is vested in a governor; and the judicial power is vested exclusively in one court of justice.

For financial reporting purposes, the State of Michigan's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, departments and agencies, bureaus, boards, commissions, and those authorities that are considered an integral part of the primary government. Component units are legally separate governmental organizations for which the State's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14, The Financial Reporting Entity. The State is financially accountable for those entities in which the State appoints a voting majority of an organization's governing authority, and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the State. For those entities in which the State does not appoint a voting majority of the governing authority, GASB Statement No. 14 requires inclusion in the reporting entity if they are fiscally dependent on the State or if it would be misleading to exclude the authority.

Blended Component Units

The State Building Authority and the Michigan Underground Storage Tank Financial Assurance Finance Authority are legally separate organizations that have boards appointed by the primary government and provide services primarily to benefit the State. Therefore, they are reported as though they were part of the primary government, using the blending method.

Discretely Presented Component Units

These types of component units are reported in separate columns or rows in the government-wide statements to emphasize that they are legally separate from the government.

The State is able to impose its will upon these discretely presented component units:

The Michigan Education Trust offers contracts, which for actuarially determined amounts, provide plan participants with future tuition at institutions of higher education.

The Michigan State Housing Development Authority finances loans for the construction of multi-family and single-family housing and home improvements.

The Michigan Municipal Bond Authority assists local units by pooling their borrowing activities. This authority is also responsible for assisting local units with their financing of water pollution control projects.

The Michigan Higher Education Facilities Authority accounts for the administration of no-commitment debt issued for the benefit of private institutions of higher education.

The Mackinac Bridge Authority accounts for the operation of the Mackinac Bridge.

The Michigan Strategic Fund provides business enterprises with additional sources of financing.

The Michigan State Hospital Finance Authority accounts for the administration of limited obligation debt issued for the benefit of hospitals.

The Michigan Higher Education Student Loan Authority is a financing authority that makes loans to students or their parents.

The Michigan Higher Education Assistance Authority is the State guaranty agency under the Stafford Loan Program, the Supplemental Loans to Students Program, and the Parent Loan for Undergraduate Students Program. This Authority also administers scholarships and grants that are financed with General Fund appropriations.

There is a financial burden/benefit relationship between these entities and the State:

The Mackinac Island State Park Commission operates the Mackinac Island and Michilimackinac State Parks.

The Michigan Economic Development Corporation manages programs to stimulate, coordinate, and advance economic development in the State.

The following entity's relationship with the State would be misleading if it were omitted from the State's reporting entity:

The State Bar of Michigan is a public body corporate whose membership consists of persons licensed to practice law.

Ten of the State's public universities are considered component units because they have boards appointed by the primary government. Their balances and operating results are included with the other discretely presented components units on the government-wide statements. The ten universities included in these statements are: Central Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, Saginaw Valley State University, and Western Michigan University. Michigan State University, the University of Michigan, and Wayne State University are not included in the State's reporting entity because they have separately elected governing boards and are legally separate. The State provides significant funding to support these institutions; however, under GASB Statement No. 14 criteria, they are considered fiscally independent, special-purpose governments.

Availability of Financial Statements

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the various component units. To obtain their phone numbers, you may contact the Office of the State Budget, Office of Financial Management, Financial Reporting Section at (517) 373-3029.

Related Organizations

The State's Insurance Commissioner is responsible for appointing the members of the boards of the Michigan Catastrophic Claims Association and the Michigan Property and Casualty Guaranty Association, but the State's accountability for these organizations does not extend beyond making the appointments.

Joint Ventures

As discussed in more detail in Note 7, the State participates in one joint venture. Its financial activities are not included in the State's financial statements, but the State's equity interest is recorded as an asset in the Statement of Net Assets.

Jointly Governed Organizations

The State, the University of Michigan, Michigan State University, and Wayne State University appoint members of the board of the Michigan Public Health Institute (MPHI), a non-profit corporation. MPHI was established to plan, promote, and coordinate health services research with a public university or a consortium of public universities in the State. The State does not appoint a majority of the board, has no rights to the assets, and is not responsible for debts of MPHI. Therefore, the State's accountability for MPHI does not extend beyond making the appointments. During fiscal year 2000-2001, the State awarded contracts totaling \$21.4 million to MPHI.

In fiscal year 1999-2000, the Governor and St. Mary's River Bridge Company of Ontario, Canada signed a 40-year agreement creating the Joint International Bridge Authority (JIBA), a non-profit organization. The State does not appoint a majority of the board, has no rights to the assets, and is not responsible for debts of JIBA. Therefore, the State's accountability for JIBA does not extend beyond making the appointments.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The **Statement of Net Assets** presents the reporting entities' non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have

constraints on resources which are imposed by management, but can be removed or modified.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement Focus and Basis of Accounting

The government-wide statements are reported using the economic resources management focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

As allowed by GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the State's proprietary funds follow all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become *susceptible to accrual*; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers tax revenues and court settlements to be available if they are collected within 60 days of the end of the fiscal period. Revenues that the State earns by incurring obligations are recognized in the same period as when the obligations are recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

Financial Statement Presentation

The State reports the following major governmental funds:

The General Fund is the State's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The Counter-Cyclical Budget and Economic Stabilization Fund, commonly referred to as the "Rainy Day Fund," was created to assist in stabilizing revenue and employment during periods of economic recession and high unemployment.

The School Aid Fund's purpose is to aid in the support of the public schools and the intermediate school districts.

The State reports the following major enterprise funds:

The State Lottery Fund accounts for the operations of the State's lottery, bingo, and charitable game operations.

The Michigan Unemployment Compensation Funds receive contributions from employers and provide benefits to eligible unemployed workers.

Additionally, the State reports the following fund types:

Governmental Fund Types:

Special Revenue Funds - include operating fund activities financed by specific revenue sources that are legally restricted for specified purposes. Examples include conservation, transportation, regulatory, and other activities.

Debt Service Funds - account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - account for the acquisition or construction of major State capital facilities financed by bond proceeds and commercial paper notes.

Permanent Funds - report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry, such as veterans, child abuse and neglect prevention, state park preservation, and others.

Proprietary Fund Types:

Enterprise Funds - report the activities for which fees are charged to external users for goods or services. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees. The State's liquor sales are reported in this type.

Internal Service Funds - provide goods or services primarily to other agencies or funds of the State, rather than to the general public. These goods and services include prisoner-built office furnishings; motor pool services; printing, reproduction and mailing services; information technology; risk management; and health-related fringe benefits. In the government-wide statements, internal service funds are included with governmental activities.

Fiduciary Fund Types:

Pension (and other employee benefits) trust funds - report resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, and other postemployment benefit plans.

Private Purpose Trust Funds - report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include the State's Escheats Fund, gifts to the State, worker disability monies, and others.

Agency Funds - report assets and liabilities for deposits and investments entrusted to the State as an agent for others.

D. Fiscal Year-Ends

All funds and discretely presented component units are reported using fiscal years which end on September 30, except for the Michigan State Housing Development Authority and the ten State universities, which utilize June 30 year-ends.

E. Assets, Liabilities, and Net Assets/Fund Balance

Cash and Cash Equivalents

On the Statement of Cash Flows, the amount reported as "Cash and cash equivalents" is equal to the total of the amounts on the Statement of Net Assets "Cash" and "Equity in Common Cash," less the amount of "Warrants outstanding."

Cash

Cash reported on the Statement of Net Assets and the Balance Sheet consists of petty cash, undeposited receipts, deposits in transit to the Common Cash pool, and cash equivalents such as short-term investments with original maturities of less than three months used for cash management rather than investing activities.

Equity in Common Cash

The State Treasurer maintains centralized management of most State cash resources (not including component units). From the perspective of the various State funds, the pool functions as both a cash management pool and a demand deposit account. The operations and investments of the Common Cash pool are described in Note 5.

Taxes Receivable

In general, tax revenue is recognized on the government-wide statements when assessed or levied and on the governmental fund financial statements to the extent that it is both measurable and available. Application of the measurability and availability criteria regarding taxes is described in Note 6.

Amounts Due From Federal Agencies

For most federally funded programs, revenue is accrued in the same period as related obligations are recorded. In certain programs financed entirely by the federal government, expenditures and related revenues are recognized only to the extent of billings received by fiscal year-end. This treatment, which is generally limited to certain programs within the Department of Education, understates both assets and liabilities, and expenditures and revenues; however, there is no impact on net assets or fund balance.

Inventories

Inventories are valued at cost, primarily using the first-in, first-out flow method. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Investments

Generally, investments are reported at fair value, consistent with the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Short-term, highly liquid debt instruments

including commercial paper, banker's acceptances, and U.S. Treasury obligations are reported at amortized cost. Additional disclosures describing investments are provided in Note 8.

Security Lending Collateral

Securities on loan for cash collateral are reported in the Statement of Net Assets. Liabilities resulting from the security lending transactions are also reported. Additional disclosures describing security-lending transactions are provided in Note 8.

Other Assets

Other assets include receivables, amounts held in escrow, and other types of assets not reported on other lines.

Capital Assets

Capital assets and certain improvements of governmental fund types are recorded in the Statement of Net Assets at historical cost or, if donated, at the estimated fair market value at the date of acquisition. In some instances, capital asset historical costs were not available; therefore, the costs of these assets at the dates of acquisitions have been estimated.

Infrastructure, such as roads and bridges, is capitalized for the first time in fiscal year 2000-2001. Interest incurred during construction is only capitalized in proprietary funds. Most capital assets are depreciated over their useful lives, using the straight-line depreciation method. However, the State's significant infrastructure assets utilize an alternative accounting treatment in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded. This approach is discussed further in the Required Supplementary Information portion of this report.

Additional disclosures related to capital assets and assets acquired through capital leases are provided in Notes 10 and 13, respectively.

Warrants Outstanding

Warrants outstanding represent drafts issued against the State Treasurer's Common Cash pool, which have not yet cleared. These are similar to outstanding checks; however, the issuing funds' balances in the pool are not reduced until warrants are redeemed.

Income Tax Refunds Payable

The amount of collected or accrued personal income tax revenues that will be refunded is estimated and accrued as a General Fund liability. Note 16 more fully describes this liability.

Deferred Revenue

In the government-wide statements and proprietary fund financial statements deferred revenue is recognized when cash, receivables, or other assets are received prior to their being earned. In the governmental fund statements deferred revenue is recognized when revenue is unearned or unavailable.

Long-Term Liabilities

In the government-wide statements and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other

financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Long-term liabilities are more fully described in Notes 13, 14, 15, 17, and 18.

Net Assets/Fund Balance

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on governmental fund statements.

Reservations

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reserved fund balances reflect either: 1) funds legally segregated for a specific use or 2) assets which, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for appropriation for the general purposes of the fund. Note 24 provides a disaggregation of reserved fund balances.

F. Revenues and Expenditures/Expenses

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g. general government, education, transportation, etc). Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted." General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance. When both general purpose and restricted funds are available for use, it is the State's policy to use restricted resources first.

In the governmental fund financial statements, expenditures are reported by character: "Current," "Capital outlay," "Intergovernmental-revenue sharing," or "Debt service." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Tax expenditures, which represent income tax credit programs that are in substance grants, are also reported as current expenditures. These are described in more detail in Note 16.

Capital outlay includes expenditures for real property or infrastructure (e.g., highways). Intergovernmental-revenue sharing accounts for the distribution of certain tax revenues that are shared with local units based upon statutory requirements. Debt service includes both interest and principal outlays related to bonds and payments on capitalized leases.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g., salaries, depreciation, and purchases for resale). Operating revenues and expenses generally result from providing services

and producing and delivering goods. All other revenues and expenses are reported as nonoperating.

Other Financing Sources

These additions to governmental fund balances in the fund financial statements include resources and financing provided by bond proceeds, capital leases, and transfers from other funds.

Reimbursements

Reimbursements result when a fund originally making a disbursement receives resources from another fund to which the expenditure/expense is more properly attributable. For example, the State uses this method when the administrative costs of proprietary funds, discretely presented component units, or pension (and other employee benefits) trust funds are appropriated in the General Fund.

Interfund Services Provided and Used

When a sale or purchase of program-related goods and/or services between funds occurs, for a price approximating their external exchange value, the seller reports revenue and the purchaser expenditure or expense, depending upon the fund type.

Transactions between the primary government and a discretely presented component unit are generally classified as revenues and expenses, unless they represent repayments of loans or similar activities.

Other Financing Uses

These reductions of governmental fund resources in fund financial statements normally result from transfers to other funds.

G. Interfund Activity and Balances

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities (examples include the transfers of profits from the Liquor Purchase Revolving Fund to General Fund and the Lottery Fund to the School Aid Fund) and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column (examples include activities between the Department of Treasury [general government line] and the Department of Education [education line]). Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. An example is gas taxes collected by the Department of Transportation but expended by the Department of Natural Resources.

Interfund Balances

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

NOTE 2 – FUNDS AND COMPONENT UNITS BY CLASSIFICATION

The following table lists all of the funds and component units whose balances are reflected in this financial report.

Operating funds which are subject to annual appropriation and for which budget and actual schedules are included in this report are

identified by an “*”. For each fund or component unit listed, the SOMCAFR page number of the first financial statement for that fund or component unit is shown in parenthesis.

PRIMARY GOVERNMENT:

MAJOR FUNDS

Governmental:

General Fund* (p. 20)
Counter-Cyclical Budget and Economic Stabilization Fund* (p. 20)
School Aid Fund* (p. 20)

Proprietary:

State Lottery Fund (p. 26)
Michigan Unemployment Compensation Funds (p. 26)

NON-MAJOR FUNDS

Governmental:

Special Revenue Funds:

Transportation Related:

State Aeronautics Fund* (p. 106)
State Trunkline Fund* (p. 106)
Michigan Transportation Fund* (p. 106)
Comprehensive Transportation Fund* (p. 106)
Combined State Trunkline Bond Proceeds Fund (p. 107)
Combined Comprehensive Transportation Bond Proceeds Fund (p. 107)
Transportation Related Trust Funds (p. 107)

Conservation, Environment, and Recreation Related:

Game and Fish Protection Fund* (p. 116)
Michigan State Waterways Fund* (p. 116)
Marine Safety Fund* (p. 116)
Game and Fish Protection Trust Fund (p. 116)
State Park Improvement Fund* (p. 117)
Combined Recreation Bond Fund - Local Projects (p. 117)
Combined Environmental Protection Bond Fund (p. 117)
Michigan Nongame Fish and Wildlife Fund* (p. 117)
Forest Development Fund* (p. 117)
Michigan Underground Storage Tank Financial Assurance Fund (p. 117)
Bottle Deposits Fund (p. 118)
Michigan Underground Storage Tank Financial Assurance Finance Authority (p. 118)

Regulatory and Administrative Related:

Michigan Employment Security Act – Administration Fund* (p. 130)
Safety Education and Training Fund* (p. 130)
Uninsured Employers' Security Fund (p. 130)
State Construction Code Fund* (p. 130)
Homeowner Construction Lien Recovery Fund* (p. 130)
State Casino Gaming Fund* (p. 131)
Second Injury Fund (p. 131)
Silicosis, Dust Disease, and Logging Industry Compensation Fund (p. 131)
Self-Insurers' Security Fund (p. 131)
Utility Consumer Representation Fund (p. 131)

Other State Funds:

School Bond Loan Fund (p. 140)
Tobacco Settlement Trust Fund* (p. 140)
Michigan Merit Award Trust Fund* (p. 140)
Assigned Claims Facility and Plan Fund (p. 141)
Miscellaneous Special Revenue Funds (p. 141)

Debt Service Funds:

Combined State Trunkline Bond and Interest Redemption Fund (p. 148)
Combined Comprehensive Transportation Bond and Interest Redemption Fund (p. 148)
Recreation and Environmental Protection Bond Redemption Fund (p. 148)
School Loan Bond Redemption Fund (p. 149)
State Building Authority (p. 149)
Michigan Underground Storage Tank Financial Assurance Finance Authority (p. 149)

Capital Projects Funds:

Combined Recreation Bond Fund - State Projects (p. 154)
Advance Financing Funds (p. 154)
State Building Authority (p. 154)

Permanent Funds:

Michigan Natural Resources Trust Fund* (p. 158)
Michigan State Parks Endowment Fund* (p. 158)
Michigan Civilian Conservation Corps Endowment Fund* (p. 158)
Michigan Veterans' Trust Fund* (p. 159)
Children's Trust Fund* (p. 159)

Proprietary:

Enterprise Funds:

Liquor Purchase Revolving Fund (p. 26)

Internal Service Funds:

Correctional Industries Revolving Fund (p. 166)
Motor Transport Fund (p. 166)
Office Services Revolving Fund (p. 166)
Information Technology and Energy Fund (p. 167)
Risk Management Fund (p. 167)
State Sponsored Group Insurance Fund (p. 167)

Fiduciary:

Pension (and other employee benefits) trust funds:

State Employees' Deferred Compensation Funds (p. 174)
Legislative Retirement Fund (p. 174)
State Police Retirement Fund (p. 174)
State Employees' Retirement Fund (p. 175)
Public School Employees' Retirement Fund (p. 175)
Judges' Retirement Fund (p. 175)
State Employees' Defined Contribution Retirement Fund (p. 175)

Michigan
Notes to the Financial Statements

Private Purpose Trust Funds:

Escheats Fund (p. 180)
Gifts, Bequests, and Deposits Investment Fund (p. 180)
Hospital Patients' Trust Fund (p. 180)
Federal Housing Administration Mortgages Escrow Fund (p. 181)
Michigan Education Savings Program (p. 181)
Workers' Disability Compensation Trust Funds (p. 181)

Agency Funds:

Financial Institutions Deposits Fund (p. 186)
Environmental Quality Deposits Fund (p. 185)
Insurance Carrier Deposits Fund (p. 185)
State Treasurer's Escrow and Paying Agent Fund (p. 185)
Child Support Collection Fund (p. 185)

DISCRETELY PRESENTED COMPONENT UNITS:

Authorities:

Major Funds:

Michigan Education Trust (p. 36)
Michigan State Housing Development Authority (p. 36)
Michigan Municipal Bond Authority (p. 36)

Non-Major Funds:

Michigan Higher Education Facilities Authority (p. 190)
Mackinac Bridge Authority (p. 190)
Michigan Strategic Fund (p. 190)
Michigan State Hospital Finance Authority (p. 190)
Michigan Higher Education Student Loan Authority (p. 191)
Michigan Higher Education Assistance Authority (p. 191)
Mackinac Island State Park Commission (p. 191)
State Bar of Michigan (p. 191)
Michigan Economic Development Corporation (p. 191)

- (1) Michigan State University, the University of Michigan, and Wayne State University are not included in the State's reporting entity because they have separately elected governing boards and are legally separate from the State.

State Universities (1):

Major Funds:

Central Michigan University (p. 37)
Western Michigan University (p. 37)

Non-Major Funds:

Eastern Michigan University (p. 194)
Ferris State University (p. 194)
Grand Valley State University (p. 194)
Lake Superior State University (p. 194)
Michigan Technological University (p. 195)
Northern Michigan University (p. 195)
Oakland University (p. 195)
Saginaw Valley State University (p. 195)

The State provides significant funding to support these institutions; however, under the GASB Statement No. 14 criteria, they are considered fiscally independent special-purpose governments.

NOTE 3 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

A. Major Constitutional and Statutory Provisions

Balanced Budget Requirements

Article 5 of the State Constitution mandates that the executive budget recommend spending limits for operating funds to the Legislature that are within available resources. Compliance with this is demonstrated in the executive budget and budget bills for each fiscal year.

Article 4 of the State Constitution mandates the Legislature to enact appropriations for each operating fund that does not exceed that fund's revenue estimates, including beginning unreserved fund balance.

Compliance with this requirement is demonstrated in schedules included in the annual appropriation acts, usually the "General Government" appropriation act. When it appears that revenue will fall below the estimates on which the appropriations are based, the Governor is required to recommend spending reductions as necessary to avoid a year-end deficit.

Local Spending Requirements

Article 9, Section 30 of the State Constitution requires that State spending to, or on behalf of, local units of government shall not fall below a specified percentage of total State spending. The percentage, recalculated effective with fiscal year 1992-1993, is 48.97%.

Final calculations establishing the State's compliance with this constitutional provision for fiscal year 2000-2001 are not yet complete. For fiscal year 1999-2000, the most recent year for which final calculations are available, the proportion of total State spending paid to local units of government was

determined to be 61.68%, reflecting payments that exceeded the minimum required by \$3.0 billion. The State expects that payments to local units of government will exceed the minimum requirement for fiscal year 2000-2001.

Revenue Limits

Article 9, Section 26, of the State Constitution restricts State revenues to a ceiling that is based upon revenues as a proportion of total personal income for the State. The base year ratio, determined in fiscal year 1978-1979, in relation to calendar year 1977 personal income, is 9.49%. Both the constitutional language and implementing statutes provide for other adjustments to the revenue and personal income calculations. If revenues exceed the limit by 1% or more, the amount in excess must be refunded to personal income tax payers and payers of the State's single business tax. If the limit is exceeded by an amount less than 1%, the excess may be deposited into the State's Budget Stabilization Fund. The calculations determining the State's compliance with this constitutional provision for fiscal year 2000-2001 are not final. For fiscal year 1999-2000, the most recent year for which final calculations are available, total State revenues subject to this limitation exceeded the constitutional limit by \$159.7 million. The State expects that total State revenues subject to the limitation will not exceed the limit for fiscal year 2000-2001.

Budget Stabilization Fund

The Counter-Cyclical Budget and Economic Stabilization Fund ("Budget Stabilization Fund") was created by P.A. 76 of 1977 to assist in stabilizing revenue and employment during periods of economic recession. In general, the law requires payments into the fund when real economic growth exceeds 2% and allows withdrawals from the fund when real economic growth is less than 0%. Funds can also be withdrawn when the State's unemployment rate exceeds 8% or upon appropriation to finance capital outlay or other projects, or for other purposes designated by the Legislature.

The following table summarizes the transactions for the fund for fiscal year 2000-2001 (in millions):

Beginning unreserved fund balance	\$ 1,264.4
Interest income	66.7
Transfers to General Fund	(270.0)
Transfers to School Aid Fund	(32.0)
Transfers to State Trunkline Fund	(35.0)
Ending unreserved fund balance	<u>\$ 994.2</u>

Transfers to the General Fund represent the transfer of \$77.0 million pursuant to P.A. 112 of 2001, Section 353 (10), and the transfer of \$193.0 million, pursuant to P.A. 161 of 2001, Section 353 (11). These transfers were made to ensure a balanced

General Fund budget. The transfer to the School Aid Fund is for the purpose of making appropriations to school districts and intermediate school districts as required by P.A. 431 of 1984, as amended. The transfer to the State Trunkline Fund is for the purpose of funding a portion of the Build Michigan III program, pursuant to P.A. 189 of 2000, Section 358.

B. Budgetary Overexpenditures

In the event that expenditures exceed authorization during a year, the department must request a supplemental appropriation for the amount overspent, if that amount exceeds their lapses or if they expect to make payments from prior year authorization in the next fiscal year. There were no net overexpenditures by General Fund departments. There were, however, the following line-item overexpenditures of State funds incurred during the year, which represent non-compliance with State budget laws (in millions):

General Fund:	
Community Health	\$ 31.3
Career Development	<u>.6</u>
General Fund Total	<u>\$ 31.9</u>

NOTE 4 – ACCOUNTING CHANGES AND RESTATEMENTS

During fiscal year 2000-2001, the State implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions,

No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,

No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities,

No. 36, Recipient Reporting for Certain Shared Non-exchange Revenues,

No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, and

No. 38, Certain Financial Statement Note Disclosures.

Statement No. 33, as amended by Statement No. 36, establishes standards for recording non-exchange transactions on the modified accrual and accrual bases of accounting. The State derives a significant portion of its revenue from non-exchange transactions, such as taxes and federal aid. The effect in the governmental funds, reported using the modified accrual basis of accounting, was insignificant. However, the effect in the government-wide financial statements, reported using the accrual basis of accounting, was significant.

Statement No. 34, as amended by Statement No. 37, establishes new financial reporting standards for state and local governments.

This statement's requirements represent a significant change in the financial reporting model used by state governments, including statement formats and changes in fund types and account groups. In addition to fund financial statements, governments are required to report government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus. As a result, fund reclassifications and adjustments to the fund equities reported in the prior financial statement balances were required.

Statement No. 35 establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of Statement No. 34. The State universities, reported as discretely presented component units, adopted the requirements of Statement No. 35.

Statement No. 38 requires certain note disclosures when Statement No. 34 is implemented.

The provisions of these new standards have been incorporated into the financial statements and notes. The following tables summarize (in millions) changes to fund equities as previously reported on the Combined Balance Sheet. The changes resulted primarily from implementation of these GASB Statements, however, the State Building Authority, a capital projects fund, restated its fund equity by \$348.1 million to properly reflect commercial paper as a long-term liability.

Michigan
Notes to the Financial Statements

	September 30, 2000 As Previously Reported	Fund Reclassifications	Prior Period Adjustments	September 30, 2000 As Restated
GOVERNMENTAL FUNDS AND ACTIVITIES				
Major Funds:				
General Fund	\$ 2,101.3	\$ -	\$ -	\$ 2,101.3
Previously reported as Special Revenue Funds:				
Budget Stabilization Fund	-	1,264.4	-	1,264.4
School Aid Fund	-	985.6	-	985.6
Non-major Funds:				
Special Revenue Funds:				
Transportation Related:				
Other Transportation related funds	519.1	-	-	519.1
Total Fund Balances	519.1	-	-	519.1
Conservation, Environment, and Recreation Related:				
Michigan Natural Resources Trust Fund	231.3	(231.3)	-	-
Michigan State Parks Endowment Fund	93.7	(93.7)	-	-
Michigan Civilian Conservation Corps Endowment Fund	22.0	(22.0)	-	-
Other Conservation, Environment, and Recreation Related funds	373.1	-	-	373.1
Total Fund Balances	720.1	(347.0)	-	373.1
Regulatory and Administrative Related:				
Second Injury Fund	-	9.0	-	9.0
Silicosis, Dust Disease, and Logging Industry Compensation Fund	-	4.5	-	4.5
Self-Insurers' Security Fund	-	2.0	-	2.0
Utility Consumer Representation Fund	-	1.8	-	1.8
Other Regulatory and Administrative Funds	16.6	-	-	16.6
Total Fund Balances	16.6	17.2	-	33.8
Other State Funds:				
Budget Stabilization Fund	1,264.4	(1,264.4)	-	-
School Aid Fund	985.6	(985.6)	-	-
Michigan Veterans' Trust Fund	48.8	(48.8)	-	-
Children's Trust Fund	20.6	(20.6)	-	-
Miscellaneous Other State Funds	-	3.9	-	3.9
Other State Funds	168.0	-	-	168.0
Total Fund Balances	2,487.5	(2,315.6)	-	171.9
Total Special Revenue Funds:	3,743.3	(2,645.4)	-	1,097.9
Debt Service Funds	291.8	-	-	291.8
Capital Projects Fund:				
State Building Authority	(457.8)	-	348.1	(109.8)
Other Capital Projects Funds	(44.5)	-	-	(44.5)
Total Capital Projects Funds	(502.3)	-	348.1	(154.2)
Permanent Funds:				
Michigan Natural Resources Trust Fund	-	231.3	-	231.3
Michigan State Parks Endowment Fund	-	93.7	-	93.7
Michigan Civilian Conservation Corps Endowment Fund	-	22.0	-	22.0
Michigan Veterans' Trust Fund	-	48.8	-	48.8
Children's Trust fund	-	20.6	-	20.6
Total Permanent Funds	-	416.4	-	416.4
Total Non-major Funds:	3,532.8	(2,228.9)	348.1	1,652.0
Total Governmental Funds	\$ 5,634.1	\$ 21.2	\$ 348.1	\$ 6,003.4

Michigan
Notes to the Financial Statements

	September 30, 2000 As Previously Reported	Fund Reclassifications	Prior Period Adjustments	September 30, 2000 As Restated
Adoption of GASB Statement No. 33 and 34				
Revenue recognition	\$ -	\$ -	\$ 2,219.3	\$ 2,219.3
Capital assets, net of depreciation	-	3,671.5	13,347.8	17,019.3
Long-term bonds and notes payable	-	-	(4,239.7)	(4,239.7)
Other liabilities and long-term obligations	-	-	(1,921.3)	(1,921.3)
Interest in joint venture	-	-	25.0	25.0
Net pension assets	-	-	94.9	94.9
Net pension liabilities	-	-	(20.5)	(20.5)
Internal service fund conversion	-	68.0	-	68.0
Adoption of GASB Statement No. 33 and 34	-	3,739.5	9,505.5	13,245.0
TOTAL GOVERNMENTAL FUNDS AND ACTIVITIES	\$ 5,634.1	\$ 3,760.7	\$ 9,853.6	\$ 19,248.4
PROPRIETARY FUNDS AND BUSINESS-TYPE ACTIVITIES				
Major Funds:				
Michigan Unemployment Compensation Funds	\$ -	\$ 3,262.0	\$ 18.1	\$ 3,280.1
State Lottery Fund	50.9	-	-	50.9
Total net assets	50.9	3,262.0	18.1	3,330.9
Non-major Funds:				
Liquor Purchasing Revolving Fund	6.7	-	-	6.7
Internal Service Funds	68.0	(68.0)	-	-
TOTAL PROPRIETARY FUNDS AND BUSINESS-TYPE ACTIVITIES	\$ 125.6	\$ 3,193.9	\$ 18.1	\$ 3,337.6
FIDUCIARY FUNDS				
Pension (and other employee benefits) Trust Funds:				
State Employees' Deferred Compensation Funds	\$ -	\$ 3,554.9	\$ -	\$ 3,554.9
Other Pension Trust Funds	53,758.2	-	-	53,758.2
Total Pension (and other employee benefits) Trust Funds	53,758.2	3,554.9	-	57,313.1
Private Purpose Funds:				
Escheats Fund	-	-	21.7	21.7
Gifts, Bequests, and Deposits Investment Fund	-	35.6	-	35.6
Hospital Patients' Trust Fund	-	.8	-	.8
Federal Housing Administration Mortgages Escrow Fund	-	1.2	-	1.2
Workers' Disability Compensation Funds	-	1.8	-	1.8
Total Private Purpose Trust Funds	-	39.4	21.7	61.1
Funds previously reported as Expendable Trust Funds:				
Michigan Unemployment Compensation Fund	3,178.7	(3,178.7)	-	-
Michigan Employment Security Act Contingent Fund	83.3	(83.3)	-	-
Second Injury Fund	9.0	(9.0)	-	-
State Employees' Deferred Compensation Funds	3,554.9	(3,554.9)	-	-
Miscellaneous Trust Accounts Fund	51.6	(51.6)	-	-
Total Expendable Trust Funds	6,877.4	(6,877.4)	-	-
TOTAL FIDUCIARY FUNDS	\$ 60,635.6	\$ (3,283.1)	\$ 21.7	\$ 57,372.2
ACCOUNT GROUPS				
General Fixed Assets	\$ 3,671.5	\$ (3,671.5)	\$ -	\$ -
General Long-term Obligations	-	-	-	-
TOTAL ACCOUNT GROUPS	\$ 3,671.5	\$ (3,671.5)	\$ -	\$ -
TOTAL PRIMARY GOVERNMENT	\$ 70,066.8	\$ -	\$ 9,893.4	\$ 79,960.2

Michigan
Notes to the Financial Statements

	September 30, 2000 As Previously Reported	Fund Reclassifications	Prior Period Adjustments	September 30, 2000 As Restated
DISCRETELY PRESENTED COMPONENT UNITS	\$ 4,021.7	\$ -	\$ -	\$ 4,021.7
Adoption of GASB Statement No. 35:				
Revenue and expense recognition	-	-	(1.3)	(1.3)
Capital assets, net of depreciation	-	-	91.4	91.4
Fund reclassification	-	(57.0)	-	(57.0)
Other	-	-	8.4	8.4
Total Net Assets for Discretely Presented Component Units – restated	<u>\$ 4,021.7</u>	<u>\$ (57.0)</u>	<u>\$ 98.5</u>	<u>\$ 4,063.2</u>

NOTE 5 – TREASURER’S COMMON CASH

A. General Accounting Policies

The State Treasurer manages the State's Common Cash pool, which is used by most State funds. The pooling of cash allows the Treasurer to invest monies not needed to pay immediate obligations so that investment earnings on available cash are maximized. Investments of the pool are not segregated by fund; rather, each contributing fund's balance is treated as equity in the pool. Many funds, including pension (and other employee benefits) trust funds, use their equity in the pool as a short-term investment vehicle. The Treasurer separately publishes the "Annual Report of the State Treasurer" which includes audited schedules of Common Cash Assets and Equities, Investment Portfolios of Specific Funds, and Investment Earnings.

In this report, the Common Cash pool is not reported as a separate fund. Instead, each State fund's balance in the pool is presented as "Equity in Common Cash."

All negative balances in the pool are reclassified at year-end as interfund liabilities. If the negative balance is considered long-term, the reclassification is recorded as an advance.

Statute or administrative policy determines whether a particular fund receives or pays interest on its balances in the pool. If a fund does not receive or pay interest, the General Fund receives or absorbs such amounts. Earnings on positive balances and charges on negative balances are allocated quarterly based upon the average daily balances of the various funds and the average investment earnings rate for the quarter. Accrued earnings of the pool are recorded as assets, with the accrual allocated to the various funds' equity in the pool. Interest revenues on positive balances and interest charges on negative balances are reflected as revenues or expenditures/expenses of each of the participating funds.

B. Investments and Deposits

The investment authority for the Common Cash pool is found in P.A. 105 of 1855, as amended. The State Treasurer may invest surplus funds belonging to the State in the bonds, notes, and other evidences of indebtedness of the United States Government, and its agencies; and in prime commercial paper. Certificates of deposit are permitted in financial institutions whose principal office is located in the State.

The Treasurer invests excess cash in short-term investments, mostly prime commercial paper. The law does not prohibit the Treasurer from entering into repurchase agreements; however,

the Treasurer did not use these agreements in managing the pool in fiscal year 2000-2001.

Statutes provide for certain special State investment programs for which the General Fund is credited (charged) for earnings in excess of (under) those achieved by regular pool investments. There have been no principal losses because of these programs to date. The most significant program provides for emergency loans to local units of government. The Treasurer may loan not more than a combined total of \$5 million in any one fiscal year to qualifying cities, villages, or townships in amounts as approved by the Emergency Financial Assistance Loan Board.

In fiscal year 1999-2000 the Emergency Financial Assistance Loan Board was authorized to approve the lending of up to \$159.9 million to Wayne County to finance the payment of

certain obligations to the State. The outstanding balance at September 30, 2001 was \$41.8 million. Loan repayments by the County are supported by provisions of the loan agreement and legislation that pledge the County's share of a portion of the State collected taxes on cigarettes. There were no repayments on the loans in fiscal year 2000-2001.

Michigan Marina Dredging Loan Program: Public Act 280 of 2000 provides for a program under which financial institutions may make low-interest loans to eligible marinas for dredging costs necessitated by low water levels to accommodate the use of the marina by recreational watercraft.

Under this program, the Department of Treasury and a financial institution may enter into an investment agreement under which the Department of Treasury will invest the State's Common Cash with the financial institution at an agreed upon interest rate (generally 1.5 percent per annum). The financial institution will then use the principal to make a low-interest loan to an eligible marina.

The Act specifies that the maximum amount of a Michigan marina-dredging loan is \$75 thousand per marina. The total amount of outstanding loans is statutorily limited to \$20 million. The loans accrue at an interest rate of six percent, and the loans' term may not exceed seven years. Other details about the loans are available in the investment agreement. The total amount loaned in fiscal year 2000-2001 was \$6 million; repayments during the year were \$71 thousand.

Michigan
Notes to the Financial Statements

Assets and equities of the Common Cash pool as of September 30 were as follows (in millions):

ASSETS	
Cash on hand	\$ -
Demand deposits	128.1
Time deposits – regular	54.0
Time deposits – Marina Loan Programs	.6
Prime commercial paper – at cost	4,549.6
Interest receivable	13.8
Emergency loans to local units – at cost	42.1
Total assets	<u>\$ 4,788.2</u>
EQUITIES	
Fund equities (net) in Common Cash (1):	
Governmental activities	\$ 4,211.3
Business-type activities	147.4
Fiduciary funds	209.5
Discretely presented component units	219.9
Net fund equities	<u>\$ 4,788.2</u>

- (1) Negative equity balances in the pool are reclassified at year-end as interfund receivables and liabilities. Current balances are included with "Amounts due from other funds" and "Amounts due to other funds" and long-term amounts are classified as interfund advances. Note 20 summarizes interfund receivables and liabilities.

The following paragraphs provide disclosures about deposits and investments of the Common Cash pool, as required by GASB Statement No. 3. Please see Note 8 for a description of

the GASB custodial credit risk categories and for information about deposits and investments, which are not part of the Common Cash pool.

Deposits

At September 30, 2001, the carrying amount of deposits, including time and demand deposits, was \$182.6 million. The deposits were reflected in the accounts of the banks at \$182.6 million. Of the bank balance, \$7.1 million was covered by federal depository insurance (GASB credit risk category 1), \$174.9 million was collateralized with securities held by the State's agent in the State's name (GASB credit risk category 1), and \$.6 million of demand deposits which are uninsured and uncollateralized (GASB credit risk category 3). Compensating balances kept in demand deposit accounts to avoid service charges totaled \$198.5 million at September 30, 2001.

Investments

Using the GASB categories of custodial credit risk, all of the investments (including prime commercial paper and emergency municipal loans) are in category 1. The emergency municipal loans are evidenced by notes held by the State in the State's name, so they fall in custodial credit risk category 1. At September 30, 2001, the fair value of prime commercial paper was \$4.6 billion.

NOTE 6 – TAXES RECEIVABLE

Government-wide Statements

Taxes receivable in the government-wide statements and proprietary fund financial statements have been recorded using the economic resources measurement focus and the accrual basis of accounting. These estimated receivables represent amounts due to the State at September 30, for revenues earned in fiscal year 2000-2001, which will be collected sometime in the future. The receivables have been recorded net of allowances for uncollectibles. Sales, use, single business, and income taxes are accrued to the extent that the related sales, wage, or activity being taxed occurred prior to October 1.

Property taxes receivables are accrued when taxes are levied against the property owners.

Fund Financial Statements

Taxes receivable have been recorded in the governmental fund financial statements utilizing the current financial resources measurement focus and modified accrual basis of accounting. These receivables represent amounts due to the State at September 30 (as stated above) and are considered "available" (e.g. received by

the State within approximately 60 days after that date). Annual tax payments (i.e., those paid with an annual return, such as individual personal income taxes filed in April) have not been accrued because they are neither reasonably estimable nor available. The State accrues single business taxes received prior to December 1 (i.e., quarterly filings due November 30).

Local units of government, as agents for the State, assess the State property tax. Taxes are due and payable at the same time as local unit taxes and are generally divided into a summer portion payable to the local units on the succeeding July 1 and a winter portion due December 31. The State accrues revenues received by the State or the local units, on its behalf, during October and November. Since the property taxes are levied and received by the local units, it is not feasible for the State to measure and record delinquent amounts receivable and, therefore, no delinquent amounts are recorded or reflected in the table below. The accrued telephone and telegraph taxes are due December 1 and were received at approximately that time. Delinquent taxes are recognized to the extent that they will be collected within 12 months.

Michigan
Notes to the Financial Statements

Taxes receivable as of September 30, consisted of the following (in millions):

	GOVERNMENTAL FUND FINANCIAL STATEMENTS			GOVERNMENT-WIDE STATEMENTS
	General Fund	Special Revenue Funds	Total	Total
<u>Tax</u>				
Sales & use	\$ 296.0	\$ 539.6	\$ 835.6	\$ 921.2
Individual income	840.7	-	840.7	2,079.2
Single business	706.4	-	706.4	1,805.1
State education (property) tax	-	551.0	551.0	577.8
Telephone & telegraph	67.4	-	67.4	67.4
Motor fuel	-	226.3	226.3	240.1
Insurance - retaliatory	56.4	-	56.4	56.4
Estate & inheritance	33.4	-	33.4	39.1
Tobacco products	20.6	38.1	58.7	67.6
Other	26.2	52.2	78.4	87.4
Penalties and interest	945.6	.2	945.8	910.0
Gross taxes receivable	2,992.7	1,407.4	4,400.1	6,851.3
Less allowance for uncollectibles	1,661.5	396.0	2,057.5	2,057.5
Total taxes receivable (net)	\$ 1,331.2	\$ 1,011.4	\$ 2,342.6	\$ 4,793.8
<u>As reported on the Balance Sheet - Governmental Funds</u>				
Current taxes receivable	\$ 1,252.0	\$ 995.7	\$ 2,247.7	
Noncurrent taxes receivable	79.2	15.6	94.8	
Total taxes receivable (net)	\$ 1,331.2	\$ 1,011.4	\$ 2,342.6	
<u>As reported on the government-wide Statement of Net Assets</u>				
Current taxes receivable				\$ 3,963.8
Noncurrent taxes receivable				830.0
Total taxes receivable (net)				\$ 4,793.8

NOTE 7 – JOINT VENTURES AND AFFILIATED FOUNDATIONS

A. Joint Ventures - Primary Government

The State is a participant in the joint venture described below. Joint ventures are not reflected as component units within this report because they do not meet the GAAP criteria for inclusion. Their separately issued financial statements may be obtained by directly contacting the applicable organizations. To obtain their phone numbers, you may contact the Office of the State Budget, Office of Financial Management, Financial Reporting Section at (517) 373-3029.

Great Lakes Protection Fund

(GLPF) is a not-for-profit corporation located in Chicago, Illinois. Its purpose is to finance and support research with respect to water quality of the Great Lakes. The eight states bordering the Great Lakes are eligible to become members if they make a required contribution to the endowment of GLPF.

Contribution requirements were established based upon water consumption and usage. Contributions to GLPF are permanently restricted and are not available for disbursement. Michigan is the largest contributor, having made a contribution of \$25 million, constituting approximately 31% of the total. Michigan made its required contribution by issuing GLPF a general obligation bond authorized as part of the State's environmental protection bond program. No additional contributions from Michigan will be required.

Two members on GLPF's board of directors represent each of the participating seven member states. The states' respective governors select the board members. Directors control GLPF's financing and budgeting operations, within requirements established by the Articles of Incorporation. One-third of the net earnings on total contributions (after operating expenses) is granted to the respective states in proportion to their contributions to GLPF. Two-thirds of the net earnings are available to GLPF to make other grants. The State's equity interest in GLPF of \$25 million is reflected as an asset in the government-wide statements.

B. Affiliated Foundations - Discretely Presented Component Units

Several of the State university component units are affiliated with independent corporate foundations that exist for the sole purpose of soliciting, collecting, and investing donations for the benefit of the universities. The operations and net assets of these foundations are not included in the financial statements of the universities due to their independence. At June 30, 2001, net assets held by these foundations totaled \$316.5 million.

NOTE 8 – DEPOSITS AND INVESTMENTS

A. General Information

This note provides information for all deposits and investments except those of the Common Cash pool, which are described in Note 5. GASB Statement No. 3 requires certain disclosures regarding policies and practices with respect to deposits, investments, and the custodial credit risk associated with them.

Deposits

In accordance with GASB Statement No. 3, deposits are classified into three categories of custodial credit risk as follows:

Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3: Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name).

Investments

In accordance with GASB Statement No. 3, investments are also classified into three categories of custodial credit risk as follows:

Category 1: Insured or registered, or securities held by the entity or its agent in the entity's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the entity's name. (This includes the portion of the carrying amount of any repurchase agreement that exceeds the fair value of the underlying securities.)

Certain types of investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Deposits classified as investments on the balance sheet are included in the investment tables following and are categorized using the deposit risk category definitions.

In accordance with GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, securities lent at year-end for cash collateral have not been categorized by custodial risk, while securities lent for securities collateral have been categorized.

B. Deposits and Investments - Primary Government

Deposits

In addition to equity in the Common Cash pool, some State funds maintain deposits with financial institutions. At year-end, the carrying amount of such deposits, excluding those classified as investments, was negative \$11.1 million, which was caused primarily by a net book cash overdraft in an account maintained by the Michigan Unemployment Compensation Funds (MUCF). The deposits were reflected in the accounts of the banks at \$12.6 million. Of the bank balances, \$.2 million was covered by federal depository insurance or by collateral held by the State's agents in the State's name (GASB credit risk category #1), \$11.3 million was covered by collateral held in the pledging

banks' trust departments in the State's name (GASB credit risk category #2), and \$1.2 million was uninsured and uncollateralized (GASB credit risk category #3).

Investments

Investment authority for the State's pension (and other employee benefits) trust funds is found in P.A. 314 of 1965, as amended. This act allows the State Treasurer, as investment fiduciary, to make diverse investments in stocks, corporate and government bonds and notes, mortgages, real estate, venture capital, and other investments. The act has prudence standards and requires that the assets of a retirement system shall be invested solely in the interest of the participants and beneficiaries and be made for the exclusive purpose of providing benefits to the participants and the participants' beneficiaries, and of defraying reasonable expenses of investing the assets of the State system.

The State Treasurer is also authorized to invest a limited amount of pension (and other employee benefits) trust funds in futures contracts. At September 30, the pension (and other employee benefits) trust funds had a total of \$205.0 million (market value) invested in such investments, which were made in Standard & Poors 500 and Standard & Poors Midcap Index futures contracts during the year. Derivatives are used for a small amount of the pension (and other employee benefits) trust fund portfolios to provide additional diversification. However, derivatives are not used for speculation and they are not used to leverage the investment portfolios. Less than 7% of the total pension (and other employee benefits) trust funds portfolio has been invested from time to time in futures contracts and swap agreements. The swap agreements provide that the retirement systems will pay quarterly, over the term of the swap agreements, interest indexed to the three month London Interbank Offered Rate (Libor), adjusted for an interest rate spread, on the notional amount stated in the agreements. United States domestic Libor-based floating rate notes were purchased in the open market to correspond with the notional amount of the swap agreements. The State Treasurer maintains custody and control of these notes. Swap agreements represent the largest category of derivatives used and total 6.4% of the total portfolio.

State statutes allow the pension (and other employee benefits) trust funds or other State funds to participate in securities lending transactions. The State Treasurer has authorized the agent bank to lend pension (and other employee benefits) trust fund or other State fund securities to broker-dealers and banks pursuant to a form of loan agreement.

The investment authority for other State funds is found in their enabling statutes and/or their bond resolutions where applicable. Except as noted below, the investments of the non-pension (and other employee benefits) trust funds are comprised mostly of United States government securities.

The State Building Authority makes diverse investments as allowed by State statute and/or bond resolutions.

Investments of MUCF represent their interest in a U.S. Treasury trust fund managed by the Secretary of the Treasury pursuant to Title IX of the Social Security Act, which includes deposits from the unemployment compensation funds of various states. MUCF is credited quarterly with trust fund investment earnings, as computed on a daily basis.

Michigan
Notes to the Financial Statements

The deferred compensation plans are invested in mutual funds, U.S. Treasury strips, money market funds, and pooled investment funds. During fiscal year 2000-2001, the deferred compensation plans' investment activities were managed by a private investment firm, which invests as directed by members of the plan. As a matter of administrative policy, the State Treasurer makes only limited use of investments in repurchase

agreements. No such investments were outstanding at year-end.

The following table shows the carrying amounts and fair values of investments of the primary government by investment type and in total (in millions) at September 30:

	GASB Category				Total Carrying Value	Fair Value
	#1	#2	#3	Not Categorized		
Prime commercial paper	\$ 3,082.4	\$ -	\$ 40.5	\$ -	\$ 3,122.9	\$ 3,117.5
Short-term issues	200.0	-	-	100.0	300.0	301.5
Money market funds	-	-	-	244.3	244.3	244.3
Government securities	4,348.2	-	165.8	104.0	4,618.1	4,618.1
Investment agreements	17.5	-	-	-	17.5	17.5
Corporate bonds and notes	4,524.6	-	-	-	4,524.6	4,524.6
Equities	18,470.8	-	-	-	18,470.8	18,470.8
Mortgages	-	-	-	44.6	44.6	44.6
Real estate (1)	93.1	-	-	4,148.1	4,241.2	4,241.2
Venture capital and leveraged buyouts	288.4	-	-	6,617.9	6,906.3	6,906.3
International	2,987.7	-	-	-	2,987.7	2,987.7
U.S. Treasury (unemployment) trust fund	-	-	-	2,834.5	2,834.5	2,834.5
Mutual funds	-	-	-	1,576.8	1,576.8	1,576.8
Pooled investment funds	-	-	-	1,714.0	1,714.0	1,714.0
Security Lending Transactions:						
Government securities	-	-	-	1,629.1	1,629.1	1,629.1
Corporate bonds and notes	-	-	-	59.7	59.7	59.7
Equities	-	-	-	400.4	400.4	400.4
Total Investments	<u>\$ 34,012.7</u>	<u>\$ -</u>	<u>\$ 206.3</u>	<u>\$ 19,473.6</u>	<u>\$ 53,692.6</u>	<u>\$ 53,688.7</u>

As Reported on the Statements of Net Assets and Statement of Fiduciary Net Assets

	Current Investments	Non-Current Investments	Total
Governmental activities	\$ 296.3	\$ 523.3	\$ 819.6
Business-type activities	2,943.3	709.3	3,652.7
Fiduciary funds	3,658.6	45,561.7	49,220.3
	<u>\$ 6,898.3</u>	<u>\$ 46,794.4</u>	<u>\$ 53,692.6</u>

(1) Category 1 real estate represents Real Estate Investment Trusts (REITs) which are evidenced by securities.

The cash collateral received on security lending transactions totaled \$2.2 billion.

Pension (and other employee benefits) trust fund investments represent 91.3% of the total investments of the primary government. Other large holders of investments were the State Lottery Fund and MUCF.

The State Lottery Fund investments, \$818.1 million, are all in the form of zero coupon U.S. Treasury bonds. As described more fully in Note 17, these investments are held to provide funding for deferred prize awards.

Securities Lending Transactions

Under the authority of P.A. 314 of 1965, the State lends securities of the pension (and other employee benefits) trust funds and the State Lottery Fund to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The custodian is not liable for any losses unless there is negligence or willful misconduct on its part. State statutes allow the Michigan Public School Employees, Michigan State Employees, Michigan State Police, and Michigan Judges Retirement Systems to participate in securities lending transactions, and the retirement systems have, via a Securities Lending Authorization Agreement, authorized the agent bank to lend its securities to broker-dealers and banks pursuant to a form of loan agreement. During the fiscal year, the agent bank lent, at the direction of the retirement systems, the retirement systems' securities and received: cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit issued by a person other than the borrower or an affiliate of the borrower as collateral. The agent bank did not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: 1) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and 2) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The retirement systems did not impose any restrictions during the fiscal year on the amount of the loans that the agent bank made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or the agent bank.

During the fiscal year, the retirement systems and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of September 30, 2001, the investment pool had an average duration of 75 days and an average weighted maturity

of 551 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On September 30, 2001, the retirement systems had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the retirement systems as of September 30, 2001, were \$2.1 billion and \$2.0 billion respectively.

C. Deposits and Investments - Discretely Presented Component Units

Deposits

At year-end, the carrying amount of discretely presented component units deposits, excluding those classified as investments, was \$224.9 million. The deposits were reflected in the accounts of the banks at \$258.0 million. Of the bank balances, \$14.8 million was covered by federal depository insurance or by collateral held by the component units' agents in the component units' names (GASB credit risk category #1), \$8.9 million was covered by collateral held in the pledging banks' trust departments in the component units' names (GASB credit risk category #2), \$182.1 million was uninsured and uncollateralized (GASB credit risk category #3), and \$52.2 million was held in money market funds which are not categorized.

Investments

The investment authority for most discretely presented component units is typically found in their enabling statutes and/or their bond resolutions where applicable. Those component units which are financing authorities generally may invest in government or government backed securities and deposits. The Michigan Education Trust's investments are subject to an investment agreement with the State Treasurer which allows the Treasurer, acting as agent, to make diverse investments including stocks, bonds, notes, and other investments. Investment policies for the State universities are typically set forth by their governing boards and include a broad range of investment types.

Restricted Assets

Restricted assets on the government-wide Statement of Net Assets, totaling \$1.2 billion, represent amounts that are pledged toward the payment of outstanding bonds and notes.

Michigan
Notes to the Financial Statements

The following table shows the carrying amounts and fair values of investments of the discretely presented component units, including

deposits classified as investments on the balance sheet, by investment type and in total (in millions):

	GASB Category				Total Carrying Value	Fair Value
	#1	#2	#3	Not Categorized		
Deposits(1):						
Time deposits	\$ 8.9	\$ -	\$ 5.9	\$ 5.3	\$ 20.1	\$ 20.1
Government money market accounts	-	-	10.3	33.3	43.6	43.6
Investments:						
Commercial paper	165.9	11.0	12.2	-	189.2	189.2
Short-term notes	-	-	52.4	12.8	65.2	65.2
Repurchase agreements	3.5	-	8.9	-	12.3	12.3
Government securities	758.4	43.3	58.0	-	859.7	859.7
Insured mortgage backed securities	124.3	-	13.7	-	138.0	138.0
Government backed securities	2.2	-	164.2	-	166.4	166.4
Investment agreements	-	-	-	317.7	317.7	317.7
Corporate bonds and notes	278.6	-	62.8	-	341.4	341.4
Preferred stock	-	-	-	.9	.9	.9
Equities	8.4	.2	25.9	16.8	51.3	51.3
Real estate	.2	.1	-	.6	.9	.9
Venture capital and leveraged buyouts	-	-	-	12.7	12.7	12.7
Government money market funds	-	-	-	61.9	61.9	61.9
Mutual funds	-	-	12.5	160.2	172.6	172.6
Guaranteed investment contracts	50.2	-	9.8	1,092.6	1,152.6	1,152.6
Pooled investment funds	-	-	-	461.2	461.2	461.2
Other investments	-	-	6.1	-	6.1	6.1
Total Investments	<u>\$ 1,400.6</u>	<u>\$ 54.6</u>	<u>\$ 442.6</u>	<u>\$ 2,176.0</u>	4,073.8	<u>\$ 4,073.8</u>
Less Investments Reported as						
"Cash" on the Statement of Net Assets					(633.5)	
Total Investments					<u>\$ 3,440.2</u>	
As Reported on the Statement of Net Assets						
Current investments					\$ 690.4	
Noncurrent restricted investments					665.5	
Noncurrent investments					<u>2,084.4</u>	
Total Investments					<u>\$ 3,440.2</u>	

(1) The deposits classified as investments were reflected in the accounts of the banks in amounts equal to their carrying value and are categorized using the deposit risk category definitions.

Interest Rate Exchange Agreements

The Michigan Higher Education Student Loan Authority (MHESLA) has an outstanding interest rate exchange agreement with an outside party for a notional amount of \$11.0 million. The agreement converts MHESLA's interest rate exposure on \$11.0 million of its fixed rate bonds to a variable rate allowing improved matching yields on variable rate student loans. The agreement, which matures on September 1, 2002,

exposes MHESLA to credit loss in the event of nonperformance by the other party.

On January 2, 2002, Michigan State Housing Development Authority entered into a forward interest rate swap with outside parties for a notional amount totaling \$60.0 million to hedge variable rate bonds that will be sold in 2002.

NOTE 9 – MORTGAGES AND LOANS RECEIVABLE - DISCRETELY PRESENTED COMPONENT UNITS

Mortgages and loans receivable reported by the discretely presented component units consist of the following (in millions):

	Mortgages and Loans Receivable (Gross)	Unamortized Discount/ Premium and Deferred Loan Origin- ation Fees	Allowance for Possible Losses	Mortgages and Loans Receivable (Net)
Authorities:				
Michigan Higher Education Student Loan Authority	\$ 830.2	\$ 3.9	\$ (.9)	\$ 833.1
Michigan State Housing Development Authority	1,946.5	(11.7)	(32.0)	1,902.8
Michigan Economic Development Corporation	49.1	-	(23.1)	26.0
	<u>\$ 2,825.8</u>	<u>\$ (7.9)</u>	<u>\$ (56.0)</u>	<u>\$ 2,761.9</u>

The Michigan State Housing Development Authority had loan commitments outstanding at June 30, 2001, of \$98.5 million. The Michigan Economic Development Corporation had loan and grant commitments outstanding at September 30, 2001, of \$180.5 million.

The loans made by the Michigan Municipal Bond Authority are to local units of government, so those loans of \$2.5 billion are reported on the "Amounts due from local units" lines on Statement of Net Assets.

NOTE 10 – CAPITAL ASSETS

A. Primary Government

Summary of Significant Accounting Policies

Methods used to value capital assets

Capital assets, which include property, plant, equipment, and infrastructure items (e.g. roads, bridges, ramps, and similar items), are reported in the applicable governmental or business-type activity columns of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation.

Capitalization policies

All land and non-depreciable land improvements are capitalized, regardless of cost. Equipment is capitalized when the cost of individual items exceed \$5 thousand, and all other capital assets are capitalized when the cost of individual items or projects exceed \$100 thousand.

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

Items not capitalized and depreciated

The State possesses certain capital assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These assets include works of art and historical treasures, such as statues; monuments; historical documents; paintings; forts and lighthouses; rare library books; miscellaneous capitol-related artifacts and furnishings; and the like.

Depreciation and useful lives

Applicable capital assets are depreciated using the straight-line method, with a half-year's depreciation charged in the year of acquisition and in the year of disposal. Agencies assigned useful lives that were most suitable for the particular assets. Estimated useful lives generally were assigned as follows:

<u>Asset</u>	<u>Years</u>
Equipment	2-25
Buildings	3-50
Infrastructure	15-40
Land Improvements	10-40

Modified approach for infrastructure

The State has elected to use the "modified approach" to account for certain infrastructure assets, as provided in GASB Statement No. 34. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the State, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels.

Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

Capital asset activities for the fiscal year ended September 30, 2001 were as follows (in millions):

Michigan
Notes to the Financial Statements

Governmental Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclas- sifications	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 3,015.8	\$ 82.1	\$ (10.8)	\$ 6.2	\$ 3,093.3
Land improvements	7.9	.5	-	-	8.4
Construction in progress	446.5	608.4	(193.2)	.6	862.3
Infrastructure	11,545.2	264.1	(214.4)	-	11,594.9
Mineral rights	18.9	-	-	-	18.9
Total capital assets, not being depreciated	15,034.3	955.1	(418.4)	6.8	15,577.9
Capital assets, being depreciated:					
Land improvements	69.4	1.1	(.7)	2.6	72.3
Equipment	562.2	112.1	(55.8)	(.7)	617.9
Buildings	2,421.8	190.8	(63.9)	79.7	2,628.4
Vehicles	8.7	-	(1.6)	-	7.1
Infrastructure	490.8	4.5	-	3.0	498.3
Total capital assets, being depreciated	3,552.9	308.5	(122.0)	84.5	3,823.9
Less accumulated depreciation for:					
Land improvements	(22.4)	(1.8)	.4	(.7)	(24.5)
Equipment	(380.0)	(80.1)	34.2	1.0	(424.8)
Buildings	(792.6)	(61.4)	31.1	(91.0)	(913.9)
Vehicles	(6.4)	(.3)	1.4	-	(5.3)
Infrastructure	(264.1)	(18.6)	-	(.1)	(282.8)
Total accumulated depreciation	(1,465.5)	(162.1)	67.1	(90.8)	(1,651.3)
Total capital assets, being depreciated, net	2,087.4	146.4	(54.9)	(6.3)	2,172.6
Governmental activity capital assets, net	\$ 17,121.7	\$ 1,101.5	\$ (473.2)	\$.5	\$ 17,750.5

Business-type Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclas- sifications	Ending Balance
Capital assets, being depreciated:					
Buildings	\$ 1.5	\$ -	\$ -	\$ -	\$ 1.5
Equipment	2.7	.2	(1.1)	-	1.9
Total capital assets, being depreciated	4.3	.2	(1.1)	-	3.4
Less accumulated depreciation for:					
Buildings	(1.5)	-	-	-	(1.5)
Equipment	(2.3)	(.2)	1.0	-	(1.6)
Total accumulated depreciation	(3.8)	(.2)	1.0	-	(3.1)
Total capital assets, being depreciated, net	.5	-	(.1)	-	.3
Business-type activity capital assets, net	\$.5	\$ -	\$ (.1)	\$ -	\$.3

Michigan
Notes to the Financial Statements

Depreciation expense was charged to functions of the primary government as follows:

	<u>Amount</u>
Governmental Activities:	
General Government	\$ 18.4
Education	.7
Family Independence Services	35.1
Public Safety and Corrections	49.8
Conservation, Recreation, and Agriculture	9.4
Health Services	18.3
Transportation	30.2
Depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their use of the assets.	<u>37.6</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 199.5</u>
Business-type Activities:	
Enterprise	<u>.2</u>
Total Depreciation Expense – Business-type Activities	<u>\$.2</u>

B. Discretely Presented Component Units

The following table summarizes net capital assets reported by the discretely presented component units (in millions):

	<u>Amount</u>
State Universities:	
Land and other Non-depreciable Assets	\$ 79.5
Buildings, Equipment, and other Depreciable Assets	3,084.9
Infrastructure	55.0
Construction in Progress	<u>208.4</u>
Total	3,427.8
Less Accumulated Depreciation	<u>(1,239.4)</u>
Capital Assets, net – State Universities	2,188.4
Capital Assets, net – Authorities	<u>133.5</u>
Capital Assets, Total – Discretely Presented Component Units	<u>\$ 2,321.9</u>

NOTE 11 – PENSION BENEFITS AND OTHER POSTEMPLOYMENT BENEFITS

A. Defined Benefit Pension Plans

The State of Michigan administers the following defined benefit pension plans:

Legislative Retirement System (LRS) - single employer
State Police Retirement System (SPRS) - single employer
State Employees' Retirement System (SERS) - single employer
Public School Employees' Retirement System (PSERS) - cost sharing multi-employer
Judges' Retirement System (JRS) - cost sharing multi-employer
Military Retirement Plan (MRP) - single employer

Each plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to plan members. Each plan, except MRP, is accounted for in a separate pension trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports, except LRS, may be obtained by writing to the Department of Management and Budget, Office of Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling (517) 322-6262. The LRS report may be obtained by writing to the Michigan Legislative Retirement System, House Office Building, Suite S0927, P.O. Box 30014, Lansing, MI 48909 or by calling (517) 373-0575.

As mandated by legislation, all new State of Michigan employees hired on or after March 31, 1997, are members of the defined contribution retirement plan as opposed to the LRS, SERS and JRS defined benefit plans. Employees hired before that date were given the option of remaining in the defined benefit plan or transferring to the defined contribution plan. The decision is irrevocable and transfers were completed by September 30, 1998. This was a one-time opportunity. With the passage of the legislation permitting the transfer, the LRS, SERS and JRS defined benefit plans became closed systems.

Plan Membership Data	LRS	SPRS	SERS	PSERS	JRS	MRP
Current active:						
Vested	33	1,136	36,175	118,969	268	637
Nonvested	21	1,001	8,792	199,569	112	9,205
Retirees & beneficiaries receiving benefits	242	2,382	37,111	130,790	546	2,156
Terminated members with vested deferred benefits	80	24	4,865	14,313	15	965

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSETS MATTERS

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Methods Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

Significant Investments

No investment of any of the pension plans comprises 5% or more of the net assets available for benefits. There are no significant investments made in securities issued by the State, nor are there any loans made from the pension plans to the State. Additional disclosures concerning investments are provided in Note 8 and, concerning State Treasurer's Common Cash, in Note 5.

FUNDING POLICY

The Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for each plan. Actual total contributions for pensions met or exceeded the contributions required by state law.

The Public School Employees' Retirement System (PSERS) is a cost-sharing, multiple-employer, State-wide defined benefit retirement system. Statute requires a reconciliation of required contributions and actual contributions in the PSERS. Public Act 158 of 1992 provides that any overage or shortage must be paid in installments over five years.

The contributions for judges in the Judges' Retirement System are non-employer contributions to cost-sharing multiple-employer defined benefit pension systems.

The contributions to all other systems are employer contributions to single-employer defined benefit systems. However, the State does not make actuarially computed contributions to the Military Retirement Plan (MRP). MRP benefits, which are funded on the pay-as-you-go basis, are paid from the General Fund.

Effective in fiscal year 2000-2001, SPRS, SERS, and PSERS use the valuation for the previous fiscal year for their respective reports. This approach is consistent with Governmental Accounting Standards Board (GASB) Statement No. 25. Consistent with this approach the most recent actuarial valuation was performed as of September 30, 2000.

Michigan
Notes to the Financial Statements

ANNUAL PENSION COST AND OTHER RELATED INFORMATION

*Current year contribution rates, annual pension cost, and related information for the current year for the State's single employer defined benefit plans are as follows:

	<u>LRS</u>	<u>SPRS</u>	<u>SERS</u>	<u>MRP</u>
Required contribution rates:				
State	-	18.87%	4.57%	-**
Plan Members	***	-	-	-
(Amounts are in millions)				
Annual Pension Cost and Net Pension Obligation:				
Annual required contribution	\$ -	\$ 21.99	\$ 102.99	\$ 2.95
Interest on net pension asset	(.16)	1.18	(7.40)	.46
Adjustment to annual required contribution	.29	(.75)	7.60	(.48)
Annual pension cost	.13	22.42	103.19	2.94
Contributions made	-	24.06	112.30	2.25
Change in net pension asset/obligation	.13	(1.64)	(9.11)	.69
Net pension (asset) obligation at beginning of fiscal year	(2.34)	14.70	(92.55)	5.79
Net pension (asset) obligation at end of fiscal year	<u>\$ (2.21)</u>	<u>\$ 13.06</u>	<u>\$ (101.66)</u>	<u>\$ 6.48</u>
Significant Actuarial Assumptions used include:				
Latest actuarial valuation date	9/30/01	9/30/00	9/30/00	9/30/01
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level percent of payroll	Level percent closed	Level percent of payroll closed	Level dollar closed
Remaining amortization period	12 years	36 years	36 years	35 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	None, unfunded plan
Actuarial assumption:				
Investment rate of return	7%	8%	8%	8%
Projected salary increases	4%	4.7 - 84%	4 - 16%	4%
Includes inflation at	4%	4%	4%	4%
Cost-of-living adjustments	4% annual compounded for members hired before 1/1/95	2% annual non-compounded with maximum annual increase \$500	3% annual non-compounded with maximum annual increase \$300	4% for special duty retirees

*For MRP, information provided is based on most recent biennial actuarial valuation.

**For MRP, there is no underlying payroll of participants. Except for five special duty members, retirees receive \$600 in annual pension benefits. Accordingly, the annual required contribution from the State is determined as a dollar amount, not as a percentage of payroll.

***For participants prior to January 1, 1995, the required contribution rate is 9.0%. For participants after January 1, 1995, the required contribution rate is 7.0%. All contributions are made to the Health Insurance Fund, as described in Section C.

Michigan
Notes to the Financial Statements

Contribution rates for the current year for the State's cost-sharing multiple-employer defined benefit plans are as follows:

	<u>PSERS</u>	<u>JRS</u>
Required contribution rates:		
State	6.15%	**
Plan Members	3.9*	5.95
 Number of participating employers	 716	 172

*For those members who elect to participate in the "Member Investment Plan," the rate is 3.9%. Members hired after December 31, 1989, are required to participate in the "Member Investment Plan," and their contribution rate varies from 3.0 to 4.3% as salary increases.

**The State is required to contribute annually the greater of 3.5% of the aggregate annual compensation of State paid based salaries or required amount. However, the plan in the current year is fully funded; therefore, no contribution is required.

THREE YEAR HISTORICAL TREND INFORMATION

The following table provides a schedule of funding progress for the State's defined benefit plans:

(Amounts in millions)

		(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
	Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
	Valuation	Value	Accrued	(Overfunded)	Ratio	Payroll	Percentage
	Date	of Assets	Liability	AAL			of Covered
			(AAL)				Payroll
LRS							
	9/30/01	\$ 168.4	\$ 138.6	\$ (29.8)	121.5%	\$ 4.3	(693.0)%
	9/30/00	160.3	128.5	(31.8)	124.7	4.3	(739.5)
	9/30/99	146.1	127.1	(19.0)	115.0	4.2	(452.4)
SPRS**							
	9/30/00	1,113.1	1,040.7	(72.4)	107.0	116.6	(62.1)
	9/30/99	1,036.8	1,006.5	(30.3)	103.0	116.9	(25.9)
	9/30/98	974.4	962.5	(11.9)	101.2	108.2	(11.0)
SERS**							
	9/30/00	10,336.8	9,473.8	(863.0)	109.1	2,253.8	(38.3)
	9/30/99	9,648.3	9,028.6	(619.7)	106.8	2,213.8	(28.0)
	9/30/98	9,109.0	8,497.0	(612.0)	107.2	2,108.0	(29.0)
PSERS**							
	9/30/00	36,893.0	37,139.0	246.0	99.3	8,985.0	2.7
	9/30/99	34,095.0	34,348.0	253.0	99.3	8,644.0	2.9
	9/30/98	31,870.0	32,863.0	993.0	97.0	8,265.0	12.0
JRS							
	9/30/01	291.0	224.7	(66.3)	129.5	42.5	(155.7)
	9/30/00	274.8	204.2	(70.6)	134.6	37.0	(190.7)
	9/30/99	320.9	243.5	(77.4)	131.8	49.6	(155.9)
MRP*							
	9/30/01	-	34.4	34.4	-	.5	7,284.7
	9/30/99	-	33.5	33.5	-	.5	6,771.4
	9/30/97	-	30.3	30.3	-	.4	7,575.0

*Actuarial valuation performed biennially.

**The most recent actuarial valuation was performed as of September 30, 2000.

Michigan
Notes to the Financial Statements

The following table provides a schedule of annual pension cost and net pension obligation for the State's single employer defined benefit plans (amounts in millions):

	Year	Annual Cost (APC)	Percentage Contributed	Net Pension Obligation (Asset)
LRS				
	1998-99	.1	-	(2.5)
	1999-00	.1	-	(2.3)
	2000-01	.1	-	(2.2)
SPRS				
	1998-99	23.0	93.7	12.2
	1999-00	24.6	89.8	14.7
	2000-01	22.4	107.3	13.1
SERS				
	1998-99	111.5	108.6	(91.8)
	1999-00	121.1	100.6	(92.6)
	2000-01	103.2	108.8	(101.7)
MRP				
	1998-99	2.5	84.4	5.0
	1999-00	3.0	74.8	5.8
	2000-01	3.0	76.5	6.5

The following table provides a schedule of annual required contributions for the State's cost-sharing multiple-employer defined benefit plans (amounts in millions):

	Fiscal Year	Annual Required Contribution (ARC)	Percentage of ARC Contributed
PSERS			
	1998-99	593.5	96.8
	1999-00	572.6	114.4
	2000-01	582.4	108.2
JRS			
	1998-99	1.3	4.6
	1999-00	-	-
	2000-01	-	-

REQUIRED SUPPLEMENTARY INFORMATION

GASB Statement No. 25 requires the disclosure of certain six-year historical trend information. This information, except for MRP, is available from the separately issued financial reports of the retirement systems. For MRP, this information is presented below.

Trend information is intended to help users assess the funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Schedule of funding progress for MRP

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/97	-	30.3	30.3	-	.4	7,575.0
9/30/99	-	33.5	33.5	-	.5	6,771.4
9/30/01	-	34.4	34.4	-	.5	7,284.7

Actuarial valuation performed biennially; plans with biennial valuations need not present duplicate information for the intervening years.

Schedule of Employer Contributions for MRP:

Year ended September 30	Annual required contribution	Percentage contributed
2001	3.0	76.1
2000	3.0	74.6
1999	2.5	84.7
1998	2.5	82.3
1997	2.3	85.0
1996	2.3	94.3

Actuarial information for MRP is provided in the annual pension cost and other related information section.

B. Defined Contribution Pension Plans

State Employees' Defined Contribution Retirement Plan

The State Employees' Defined Contribution Retirement Plan (Plan) was established to provide benefits at retirement to employees of the State who were hired after March 31, 1997, and to those members of the State Employees' Retirement (defined benefit) System, Judges' Retirement System, and Legislative Retirement System who elected to transfer to this plan. The Plan is administered by the Department of Management and Budget. The State is required to contribute 4% of annual covered payroll. The State is also required to match employee contributions up to 3% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Legislature. Employer contributions to the plan for the year totaled \$41.3 million. Participant contributions to the plan were \$15.2 million. The reports may be obtained by writing to the Department of Management and Budget, Office of Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling (517) 322-6262.

The following investments represent 5% or more of net plan assets at September 30, 2001: SSGA Stable Value GIC Fund, \$29.5 million; Yield Enhanced Short-Term Fund, \$81.8 million; SSGA S&P 500 Index Fund, \$21.6 million; Dodge & Cox Stock Fund, \$19.7 million; Fidelity Magellan Fund, \$29.6 million; Putnam Voyager, \$21.5 million.

Effective September 30, 2000, the assets and coverage of members of the Michigan Judges' Retirement System were transferred to the State Employees' Defined Contribution Retirement Plan.

Component Units

In addition to the Public School Employees' Retirement System (PSERS), the State university component units participate in the Teachers' Insurance and Annuity Association and College

Retirement Equities Fund (TIAA-CREF). The TIAA-CREF is a defined contribution multiple-employer pension plan. The State university component units are required to contribute between 4% and 15% of annual covered payroll, as determined by each institution's employment agreements. The total contribution to the TIAA-CREF for all State university component units was \$59.4 million for the year ending June 30, 2001.

Additional plan information may be found in the separately issued financial reports of the State university component units.

C. Other Postemployment Benefits

In addition to the pension benefits previously described in this Note, State statutes require that the State provide certain postemployment benefits (OPEB) to many of its retired employees. Health, dental, and vision benefits as well as life insurance coverage are provided to retirees of all pension plans except MRP. These benefits are funded on a pay-as-you-go basis, except for LRS life insurance coverage, as explained below.

The LRS life insurance benefits are paid on an advance-funded basis. The actuarial cost method and actuarial assumptions are the same as for the pension plan, as discussed in Section A. At September 30, 2001, the actuarial accrued liability for life insurance premiums was \$8.2 million with net assets available for benefits of \$12.5 million. The expense for life insurance premiums was \$.2 million in fiscal year 2000-2001.

The net assets available for benefits relate to residual balances from funding provided in prior fiscal years. There were no material changes in the OPEB provisions during fiscal year 2000-2001.

Michigan
Notes to the Financial Statements

Following is a brief summary of the other postemployment benefits as of September 30, 2001:

	<u>LRS</u>	<u>SPRS</u>	<u>SERS</u>	<u>JRS</u>	<u>PSERS</u>	<u>TOTAL</u>
Participants eligible for benefits	330	2,382	37,111	546	130,790	171,159
Contribution rates for current employees (% of payroll)	None	None	None	1.5%	None	
Percentage of pre-Medicare premiums paid by participants	None	5%	5%	5%	10%*	
Expense for year (in millions)	\$3.0	\$23.0	\$248.2	\$.5	\$456.3	\$731.0
Net assets available for benefits (in millions)	5.7	(2.5)	23.0	(.5)	213.0	238.7

*The schools that employ the plan's members pay the employer share of health costs. PSERS retirees pay the same share of health care costs required from Social Security retirees for part B Medicare coverage until Medicare coverage begins at age 65.

Dental, vision, and hearing benefits are also extended to all retirees and their beneficiaries, for which retirees pay 10% of the health premiums.

NOTE 12 – COMPENSATED ABSENCES

A. Primary Government

Plan Descriptions

Employees accumulate annual leave (vacation) balances to a maximum ranging from 256 to 316 hours. They receive a 100% termination payment upon separation based upon their final rate of pay. Employee sick leave balances accumulate without limit. Termination payments are made only upon separation from State service and only to employees hired prior to October 1, 1980. Payments at retirement or death are based on 50% of the employee's sick leave accumulation times their last rate of pay. When separating for any other reason, employees are paid a percentage of their unused sick leave which increases from 0 to 50% depending upon the balance of their sick leave hours.

Accounting Policy

In the government-wide and proprietary fund financial statements, the State accrues liabilities for compensated absences as required by GASB. Annual leave is valued at 100% of the balance plus the State's share of social security and retirement contributions. Sick leave is valued, as explained in the previous paragraph, at 0 to 50% plus the State's share of social security contributions. The pay rates in effect as of September 30, 2001, are used.

In the governmental fund financial statements, liabilities for compensated absences are accrued when they are considered "due and payable" and recorded in the fund only for separations or transfers that occur before year-end.

The following table summarizes liabilities for compensated absences as of September 30 (in millions):

	<u>Annual Leave</u>	<u>Sick Leave</u>	<u>Total</u>
Governmental activities	\$ 231.3	\$ 206.5	\$ 437.7
Business-type activities	1.5	1.6	3.1
Total - primary government	<u>\$ 232.8</u>	<u>\$ 208.0</u>	<u>\$ 440.8</u>

B. Discretely Presented Component Units

Compensated absences liabilities of discretely presented component units totaled \$48.5 million and are primarily related to State universities.

NOTE 13 – LEASES

Accounting Policy

The State leases various assets under noncancelable leasing arrangements. Leases that constitute rental agreements are classified as operating leases; the resulting expenditures are recognized as incurred over the lease term. Leases that are comparable to purchases are classified as capital leases.

In the government-wide and proprietary fund statements, assets and liabilities resulting from capital leases are recorded at lease inception.

The principal portion of lease payments reduces the liability, the interest portion is expensed.

For capital leases in governmental funds, other financing sources and expenditures are recorded at lease inception. Lease payments are recorded as debt service expenditures. (As explained in Note 3, for budgetary purposes, lease payments are only reported as expenditures when paid.)

Michigan
Notes to the Financial Statements

Most leases have cancellation clauses with 1 to 6 month notice requirements in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered in the determination of whether a lease is cancelable, because the likelihood that they will be exercised is considered remote. Some lease agreements include renewal or purchase options. The effect of such options is reflected in the minimum lease payments only if it is considered reasonably assured that an option will be exercised. Some lease agreements include escalation clauses or other contingent rentals.

The State has entered into a few installment purchase agreements. Because the amounts involved are immaterial, and the accounting treatment is similar, such agreements are reported together with capital leases.

Leases that exist between the State and the State Building Authority (SBA, a blended component unit) are not recorded as leases in this report. In their separately issued financial statements, SBA records a

lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-wide reporting, they are eliminated. A long-term liability exists on the government-wide statements for the bonds issued by SBA to construct the assets associated with the leases. Future payments to SBA are, therefore, not included in the schedules of lease commitments below. Note 14 provides information on the amount of the Authority's bonds outstanding and a schedule of debt service requirements.

A. Primary Government – Governmental Activities

Rental expenditures incurred under operating leases totaled \$84.4 million during the fiscal year. Payments for capital lease principal, interest, and executory costs totaled \$33.7 million, \$28.0 million, and \$13.5 million, respectively.

A summary of the operating and noncancelable capital lease commitments to maturity follows (in millions):

Capital Leases					
Year Ended September 30	Operating Leases	Principal	Interest	Executory Costs	Total
2002	\$ 44.7	\$ 30.4	\$ 26.9	\$ 12.4	\$ 69.6
2003	35.6	28.0	24.3	12.3	64.5
2004	30.0	26.8	21.7	12.0	60.5
2005	23.4	21.8	19.2	11.6	52.6
2006	15.5	19.5	16.8	10.5	46.9
2007-2011	22.3	66.5	55.6	35.3	157.5
2012-2016	1.8	37.5	26.4	17.5	81.3
2017-2021	-	22.5	6.9	7.6	37.0
Thereafter	-	2.0	.4	.7	3.1
Total	<u>\$ 173.3</u>	<u>\$ 254.8</u>	<u>\$ 198.2</u>	<u>\$ 120.0</u>	<u>\$ 573.1</u>

The above capital leases relate to governmental activities which include the General Fund, special revenue funds, and the internal service funds. A liability of \$254.8 million has been recorded in the government-wide statements for the capital lease principal. The historical cost of assets acquired under capital leases and included in capital assets on the government-wide statements at September 30 follows (in millions):

Buildings	\$ 304.8
Equipment	92.4
Total	397.2
Accumulated Depreciation	(178.2)
Net Buildings and Equipment	<u>\$ 219.1</u>

B. Primary Government – Business-Type Activities

Rental expense incurred under operating leases totaled \$.2 million during the fiscal year. There were no capital lease obligations.

A summary of operating lease commitments to maturity follows (in millions):

Year Ended September 30	Operating Leases
2002	\$.2
2003	.1
2004	.1
2005	.1
	<u>\$.5</u>

C. Discretely Presented Component Units

Operating lease commitments for universities and authorities totaled \$15.0 million. Total capital lease obligations were \$21.5 million, \$14.7 million, and \$0 for principal, interest, and executory costs, respectively.

NOTE 14 – LONG-TERM LIABILITIES

A. Bonded Debt

General Obligation Bonded Debt

Article 9, Section 15, of the State Constitution authorizes general obligation long-term borrowing, subject to approval by the Legislature and a majority of voters at a general election. In addition, debt may be incurred without voter approval for the purpose of providing loans to school districts. General obligation notes to provide temporary financing for such loans are recorded as liabilities in the School Bond Loan Fund, a special revenue fund. No such borrowing occurred in fiscal year 2000-2001. General Fund appropriations are made to finance debt principal and interest requirements for all general obligation issues. General obligation bonds are backed by the full faith and credit of the State.

The State Constitution provides that the Legislature may also authorize the issuance of general obligation short-term notes, the principal amount of which may not exceed 15% of undedicated revenues received in the preceding year. The State Constitution also provides that such notes must be repaid within the fiscal year of the borrowing. No such borrowing occurred in fiscal year 2000-2001.

Revenue Dedicated Bonded Debt

Long-term bonds have been issued periodically for specific purposes, with the stipulation that financing of debt requirements is to come strictly from designated revenue sources. The transportation related debt is payable solely out of funds restricted for transportation purposes by Article 9, Section 9, of the State Constitution. The State's general credit does not support such issues.

The Michigan Underground Storage Tank Financial Assurance Finance Authority issued revenue bonds to provide financing for the activities of the Michigan Underground Storage Tank Financial Assurance Fund (MUSTFA). The bonds and notes are a limited obligation of the Authority payable solely from dedicated revenues and do not represent a general obligation of the finance authority or the State.

Revenue bonds have been issued by the State Building Authority (SBA) to acquire and/or construct various facilities for use by the State or institutions of higher education. Revenue bonds have also been issued to finance equipment capital lease refinancings and acquisitions. The \$307.4 million of

commercial paper notes outstanding at year-end are not recorded as liabilities in the Authority's statements, but are included in the "long-term liability activity" schedule presented later in this Note.

Subsequent to September 30, 2001, SBA issued an additional \$146.1 million in commercial paper. However, a significant portion of outstanding commercial paper has been paid by the issuance of the 2001 Revenue Bonds Series II in the amount of \$170.1 million. Stated coupon rates for these bonds range from 3.0 to 5.5 percent, which mature on October 15, 2019. These bonds and notes are limited obligations of SBA and do not constitute general obligations of SBA or the State. The debt requirements of the bonds are financed through General Fund appropriations, excess bond proceeds, and investment earnings.

Grant anticipation notes have been issued by the Department of Transportation (MDOT) in the amount of \$400.0 million. The notes have variable rates that may bear interest at a daily interest rate, a weekly rate, note interest term rate, long-term interest rate, or an ARS interest rate.

The notes are issued in accordance with the authorization provided in P.A. 51 of 1951, as amended. The proceeds of the sale of the notes together with investment earnings on the proceeds and other available monies will be used to pay a portion of the costs to complete the Build Michigan II highway program, to pay capitalized interest on the notes, and to pay note issuance costs.

The principal and interest on the notes are payable solely from and are secured by an irrevocable pledge of the State share of all federal grants received each year under the Federal-Aid Highway Program. Payment of the principal and interest on the notes from the State share shall be subject to an appropriation each year by the Legislature in an amount sufficient to make the payments. As of September 30, 2001, there were no principal payments made on the notes. The amount outstanding at September 30, 2001, is \$400.0 million and is not disclosed in the table below. These notes mature in 2008.

Note 15 provides disclosures regarding the bonds and notes payable of the discretely presented component units.

Bonds Issued and Outstanding

General obligation and revenue dedicated bonds issued and outstanding (excluding defeased bonds) at September 30 (in millions) are as follows:

General Obligation and Revenue Anticipation Bonds Issued and outstanding (excluding defeased bonds) at September 30 (in millions) are as follows:			MATURITIES		AVERAGE INTEREST RATE PERCENTAGE
GENERAL OBLIGATION BONDED DEBT	AMOUNTS ISSUED	OUTSTANDING 9/30/2001	FIRST YEAR	LAST YEAR	
General Obligation Refunding Debt:					
Series 2001 (Refunding)	\$ 183.3	\$ 183.3	2002	2016	4.76
Recreation and Environmental Protection:					
Series 1989 (1)	75.0	28.2	1991	2011	6.92
Series 1992 (1)	246.3	120.4	1993	2012	6.15
College Savings Bonds - Series 1992 Mini-bonds (1)	.5	.8	2012	2012	6.50
Series 1992 A (1)(2)	13.9	9.4	1994	2012	6.17
Series 1993 (1)(2)	16.7	12.8	1995	2013	5.00
Series 1995 (1)	234.3	143.7	1996	2019	5.28
Series 1998 (1)	90.0	80.3	1998	2017	4.80
Series 1999 A (3)	81.8	81.8	2004	2020	5.57
Series 1999 B (3)	15.1	10.5	2001	2003	6.75
Series 2000 (1)	60.0	60.0	2002	2021	5.22

Michigan
Notes to the Financial Statements

			MATURITIES		AVERAGE INTEREST RATE
	AMOUNTS ISSUED	OUTSTANDING 9/30/2001	FIRST YEAR	LAST YEAR	RATE PERCENTAGE
School Loan Bonds:					
Series 1995	180.0	65.3	1996	2015	5.47
Series 1998	160.0	154.1	2000	2017	4.86
Series 2001 A	81.3	81.3	2005	2021	3.50
TOTAL GENERAL OBLIGATION BONDED DEBT	1,438.2	1,031.8			
REVENUE DEDICATED BONDED DEBT					
<u>MUSTFA Related:</u>					
Tax Dedicated Bonds:					
1996 - Revenue Bonds - Series I	216.6	152.5	1997	2010	5.67
TOTAL REVENUE DEDICATED BONDED DEBT - MUSTFA RELATED	216.6	152.5			
<u>Transportation Related:</u>					
Tax Dedicated Bonds:					
Michigan Comprehensive Transportation:					
Series 1992 (Series A and Series B Refunding)	165.0	104.7	1996	2022	5.96
Series 1996 (Series A Refunding)	22.7	22.4	1998	2014	5.42
Series 1998 (Series A Refunding)	38.6	38.6	2004	2010	4.66
Series 2001 (Series A Refunding)	27.8	27.8	2008	2022	5.01
State Trunkline Fund Bonds:					
Series 1989 (Series A)	135.8	24.9	1994	2017	6.97
Series 1992 (Series A and Series B Refunding)	353.2	172.3	1999	2021	6.16
Series 1994 (Series A and Series B Refunding)	241.0	34.4	1994	2007	5.53
Series 1996 (Series A)	54.5	10.3	1997	2009	5.71
Series 1998 (Series A)	377.9	377.9	2005	2026	5.09
Series 2001 (Series A)	308.2	308.2	2003	2031	5.27
TOTAL REVENUE DEDICATED BONDED DEBT - TRANSPORTATION RELATED	1,724.6	1,121.5			
<u>State Building Authority:</u>					
1993 Revenue Bonds – Refunding Series I	491.5	288.4	1994	2016	4.58
1994 Series I Bonds	39.8	25.8	1995	2012	5.07
1994 Series II Bonds	29.1	20.9	1996	2011	4.62
1996 Series I Bonds	109.9	76.8	1997	2010	5.04
1997 Series I Bonds	144.8	111.0	1997	2010	5.18
1997 Series A Bonds	34.3	23.0	1997	2006	4.76
1997 Series B Bonds	42.9	1.3	1997	2001	4.51
1997 Series II Bonds	371.9	325.0	1997	2014	5.53
1998 Series I Bonds	109.5	98.5	1998	2014	4.84
1998 Series I Bonds Refunding	330.4	315.3	1999	2021	4.75
1999 Series I	85.7	80.1	1999	2016	4.54
2000 Revenue Bonds	45.8	45.8	2002	2012	5.63
2000 Series I Bonds	147.9	147.9	2002	2022	5.24
2001 Series I Bonds	121.7	121.7	2002	2019	5.28
2001 Revenue Bonds	58.2	58.2	2002	2014	5.13
2001 Series I Refunding Bonds	419.7	419.7	2003	2026	5.31
TOTAL STATE BUILDING AUTHORITY BONDED DEBT	2,583.1	2,159.3			
TOTAL REVENUE DEDICATED BONDED DEBT	4,524.3	3,433.3			
TOTAL GENERAL OBLIGATION AND REVENUE DEDICATED BONDED DEBT	<u>\$ 5,962.5</u>	<u>\$ 4,465.1</u>			

(1) Public Act 327 of 1988 and P.A. 451 of 1994 authorized the issuance of bonds totaling \$800 million. As of September 30, 2001, \$676.6 million of such bonds had been issued, leaving remaining authorization of \$123.4 million. Sum of amounts issued in table differs by amount of bonds refunded or redeemed.

(2) The \$13.9 million Series 1992A and the \$16.7 million Series 1993, Recreation and Environmental Protection General Obligation Bonds, were used to provide a contribution of capital to the Michigan Municipal Bond Authority (a discretely presented

component unit). An outside trustee for the Authority is holding the bonds as an investment of the Authority; no immediate cash proceeds were provided. The trustee receives the debt service payments on the bonds, which are negotiable instruments held to subsidize water pollution control financing provided by the Authority.

(3) Public Act 284 of 1998 authorized the issuance of bonds totaling \$675.0 million. As of September 30, 2001, \$96.9 million of such bonds had been issued, leaving remaining authorization of \$578.1 million.

Michigan
Notes to the Financial Statements

Capital Appreciation Bonds

Capital appreciation and convertible capital appreciation bonds are recorded in the preceding table and section C at their

accreted year-end book value. The tables which follow summarize capital appreciation bonds (in millions):

	ACCREDITED BOOK VALUE	ULTIMATE MATURITY VALUE	MATURITY DATES
State Building Authority:			
1994 Series II	\$ 19.6	\$ 24.2	2000-2012
1997 Series II	29.3	42.5	2000-2012
General Obligation Bonds:			
Series 1989	32.5	44.4	2011
Series 1992	21.4	30.5	2012
College Savings Bonds - Series 1992 Mini-bonds	.8	1.8	2012
Series 1995	22.4	29.4	2001-2010
Revenue Dedicated – Transportation Related:			
State Trunkline - Series 1989 A	24.9	35.7	2004-2009
State Trunkline - Series 1992 A and B	61.1	97.7	2005-2012

Advance Refundings and Defeasances

The State has defeased certain bonds by placing the proceeds of new bonds (i.e., the "refunding" bonds in the table of bonds issued and outstanding) in irrevocable trust to provide for all future debt service on the old bonds. Accordingly, the trust account assets

and the liability for the defeased bonds are not recorded as assets or liabilities in these statements and are not included in the other debt tables in this note.

The following table summarizes the defeased bonds outstanding at September 30 (in millions):

	AMOUNTS OUTSTANDING
Recreation and Environmental Protection:	
Series 1989	\$ 2.5
Series 1992	69.1
Series 1995	74.4
Total	<u>\$ 145.9</u>
School Loan Bonds:	
Series 1995	<u>\$ 84.5</u>
Michigan Comprehensive Transportation:	
Series 1992 A	<u>\$ 32.4</u>
State Trunkline Fund Bonds:	
Series 1992 A (partial)	\$ 131.2
Series 1992 B (partial)	56.8
Series 1994 A (partial)	112.8
Series 1996 A (partial)	41.2
Total	<u>\$ 342.0</u>
State Building Authority:	
1982 Series III	\$ 19.3
1988 Series I	5.9
1988 Series II	5.3
1989 Series I	46.4
1990 Series II	124.3
1991 Series I Refunding	197.0
1991 Series II	131.6
1992 Series I	133.9
1992 Series II A	30.3
Total	<u>\$ 694.1</u>

Michigan
Notes to the Financial Statements

Debt Service Requirements

The following table summarizes debt service requirements for outstanding bonds (in millions):

FISCAL YEARS ENDING	GENERAL OBLIGATION		MUSTFA AND TRANSPORTATION RELATED		STATE BUILDING AUTHORITY		TOTAL PRINCIPAL AND INTEREST
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2002	\$ 49.0	\$ 39.9	\$ 45.9	\$ 58.7	\$ 106.5	\$ 103.0	\$ 402.9
2003	51.8	38.5	53.7	60.2	125.9	103.0	433.0
2004	54.4	43.3	56.6	57.4	132.2	96.3	440.1
2005	56.7	40.9	60.4	54.5	138.9	89.0	440.4
2006	57.9	38.1	63.8	51.6	118.3	82.4	412.1
2007-2011	318.8	153.7	318.1	216.1	624.3	332.9	1,963.9
2012-2016	316.7	75.3	214.0	160.0	497.9	178.9	1,442.9
2017-2021	148.7	15.6	257.1	99.0	288.2	66.7	875.4
2022-2026	-	-	158.6	40.3	127.2	11.8	338.0
2027-2032	-	-	93.3	12.4	-	-	105.7
Total	\$ 1,054.0	\$ 445.3	\$ 1,321.5	\$ 810.2	\$ 2,159.3	\$ 1,064.1	\$ 6,854.3

Interest to maturity for the State Building Authority will be significantly smaller than the amount shown in the above table because many of the bonds will be called prior to the final scheduled maturity date. The retirement of these bonds varies from project to project, as each bond issue is related to specific projects and any excess borrowing and accrued investment earnings are restricted to projects and debt service on the related bonds. State Building Authority debt service fund unreserved fund balances totaled \$226.9 million at year-end. Most of this represents investments related to completed projects that will be used for debt service on the projects' bonds.

Some of the bonds of the State Building Authority carry variable interest rates and interest on these has been projected using an average interest rate.

B. Other General Long-Term Obligations

Capital Leases

This liability is described in more detail in Note 13.

Compensated Absences

This liability is described in Note 12.

Claims and Judgments

In general, expenditures and fund liabilities are not recorded in governmental funds for claims and judgments until they are considered "due and payable" at September 30 and the related losses are certain. Liabilities for material claims and judgment losses are recorded in the government-wide and proprietary fund financial statements when the loss is considered probable.

Workers' Compensation

The gross amount of workers' compensation liability, \$299.3 million at September 30, 2001, has been recorded at its discounted present value of \$199.9 million, using a discount rate of 8%. The present value of the current portion of this liability is \$45.1 million. The Accident Fund Company billed State agencies for actual workers' compensation claims paid plus administrative fees, totaling \$51.1 million in fiscal year 2000-2001.

Other Claims & Judgments

The governmental activity estimated liability for litigation losses, \$632.5 million at September 30, 2001, includes amounts for litigation, such as damages in tort cases and refund claims in cases involving State taxes, transportation claims, natural resources and environmental quality claims, and other claims, in which it is considered probable that a loss will be incurred. Also included is an estimated liability totaling \$5.4 million for arbitrage payable to the federal government for interest earned on bond proceeds. Where a range of potential loss exists, the amount recorded is based upon the expected minimum amount that will be lost if the State does, indeed, lose. The allowance also includes projections for highway related negligence cases based upon historical loss ratios. The State continues to vigorously contest all of these claims and the State may incur no liability in the individual cases involved. Therefore, the allowance for litigation losses may be overstated (to the extent that losses do not occur) or understated (if the State losses exceed the projected minimums which have been recorded). The maximum potential loss on the allowance for estimated litigation losses is not considered reasonably measurable.

The liability recorded for other claims and judgments within business-type activities represents overpayments by employers to the Michigan Unemployment Compensation Fund totaling \$42.0 million.

Durant Settlement

The reported estimated liability for litigation losses includes the Donald Durant, et al v State of Michigan, et al consolidated cases, which totaled \$451.0 million at September 30, 2001. This amount will, over time, be paid to each "non-Durant" school district for its underfunded State mandated program costs if certain requirements are met. See Note 26 for additional disclosure regarding the Durant case and other contingencies.

Fund expenditures for workers' compensation and settled litigation with long-term repayment provisions are recognized on the "due and payable" basis. Other losses are recognized as fund liabilities in the year of settlement, except that cases settled shortly after year-end are recognized as fund liabilities using a sliding materiality scale that increases from recognizing all losses in early October to recording only settlements in excess of \$1.5 million after November 30.

Net Pension Obligation

This liability is described in Note 11.

Michigan
Notes to the Financial Statements

C. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2001, are summarized as follows (in millions):

Governmental Activities	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable:						
General obligation debt	\$ 930.3	\$ 328.8	\$ 227.3	\$ 1,031.8	\$ 49.0	\$ 982.8
Revenue bonds	1,003.6	341.3	70.8	1,274.0	45.9	1,228.1
State Building Authority	1,825.9	795.8	462.4	2,159.3	106.5	2,052.9
Notes Payable:						
Transportation related	-	400.0	-	400.0	-	400.0
State Building Authority	131.9	-	131.9	-	-	-
Deferred Loss on Refundings:						
General obligation debt	-	(11.7)	.3	(11.5)	-	(11.5)
Revenue dedicated debt	-	(.7)	-	(.7)	-	(.7)
State Building Authority	-	(8.2)	.1	(8.2)	-	(8.2)
Unamortized Premiums:						
General obligation debt	-	14.4	.3	14.0	-	14.0
Revenue dedicated debt	-	4.5	-	4.5	-	4.5
State Building Authority	-	26.0	.6	25.5	-	25.5
Other Debt:						
State Building Authority						
Commercial paper	348.1	653.8	694.5	307.4	137.3	170.1
Total bonds and notes payable	4,239.7	2,543.8	1,588.2	5,196.1	338.7	4,857.5
Other Long-term Liabilities:						
Capital lease obligations	278.2	42.2	65.6	254.8	30.4	224.4
Compensated absences	468.3	227.0	257.6	437.7	20.6	417.1
Workers' compensation	195.0	48.9	44.0	199.9	45.1	154.8
Net pension obligations	20.5	.7	1.6	19.5	-	19.5
Other claims & judgments	596.4	612.8	576.6	632.5	109.9	522.6
Durant settlement	509.6	-	58.7	451.0	60.0	391.0
Total other liabilities	2,068.1	931.6	1,004.2	1,995.4	265.9	1,729.5
Total Long-term Liabilities	\$ 6,307.8	\$ 3,475.4	\$ 2,592.4	\$ 7,191.5	\$ 604.6	\$ 6,587.0
Business-type Activities						
Other Long-term Liabilities:						
Lottery prize awards*	\$ 823.8	\$ -	\$ 59.8	\$ 764.0	\$ 148.4	\$ 615.6
Compensated absences	4.6	1.0	2.5	3.1	.5	2.6
Other claims & judgments	-	42.0	-	42.0	-	42.0
Total Long-term Liabilities	\$ 828.4	\$ 43.0	\$ 62.3	\$ 809.1	\$ 148.9	\$ 660.3

*The amounts due within one year are included with "Accounts payable and other liabilities" on the Statement of Net Assets.

The General Fund, special revenue, and internal service funds in which the leases are recorded will liquidate the capital lease obligations. The compensated absence and workers' compensation liabilities will be liquidated by the applicable governmental and internal service funds that account for the

salaries and wages of the related employees. The net pension obligations will be liquidated by the State's governmental and internal service funds that contribute toward the pension funds, based on the statutorily required contribution rates. The School Aid Fund will liquidate the Durant settlement. Other claims and judgments attributable to the governmental activities will generally be liquidated by the General Fund and transportation related special revenue funds.

NOTE 15 – BONDS AND NOTES PAYABLE - DISCRETELY PRESENTED COMPONENT UNITS

A. Bonds and Notes Payable

Bonds Payable

Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State.

The State universities and the Michigan State Housing Development Authority utilize June 30 fiscal year-ends. The

remaining discretely presented component units have September 30 fiscal year-ends. The following table summarizes debt service requirements of the discretely presented component units as reported in their separately issued financial statements, utilizing their respective fiscal year-ends (in millions):

Fiscal Years Ending In	Principal	Interest	Total
2002	\$ 299.4	\$ 306.7	\$ 606.1
2003	252.1	296.7	548.8
2004	252.6	287.0	539.6
2005	246.8	276.3	523.2
2006	237.0	263.2	500.2
	<u>1,288.0</u>	<u>1,429.9</u>	<u>2,717.9</u>
2007-2011	1,333.2	1,072.8	2,406.0
2012-2016	1,165.3	740.8	1,906.1
2017-2021	1,038.1	438.3	1,476.4
2022-2026	543.1	205.4	748.4
2027-2031	403.4	88.2	491.6
2032-2036	193.4	19.7	213.1
2037-2042	5.8	.3	6.1
	<u>4,682.2</u>	<u>2,565.4</u>	<u>7,247.7</u>
		<u>\$ 3,995.3</u>	<u>\$ 9,965.6</u>
Less:			
Unamortized discount	(.1)		
Total principal	<u>\$ 5,970.2</u>		

Included in the table above is \$409 million of demand bonds comprised of the Michigan Higher Education Student Loan Authority, \$141.4 million, and the Michigan State Housing Development Authority, \$267.6 million. Defeased bonds outstanding of the Mackinac Island State Park Commission, Michigan State Housing Development Authority, Michigan Municipal Bond Authority, and nine of the State universities are not reflected in the table above.

Subsequent to their respective year-ends, the following discretely presented component units issued bonds (in millions):

	Amount
Michigan State Housing Development Authority	\$ 24.4
Michigan State Hospital Finance Authority	91.3
Eastern Michigan University	41.4
Grand Valley State University	31.4
Northern Michigan University	30.0
Oakland University	48.0
Saginaw Valley State University	24.4
	<u>\$ 290.9</u>

Disclosures regarding these bonds and transactions are available in the separately issued reports of the various organizations.

Subsequent to June 30, 2001, the Michigan State Housing Development Authority entered into a forward interest rate swap in the amount of \$60 million. The swap is in place to hedge variable rate bonds that will be sold in July 2002. The bonds are being issued to fund multi-family mortgage loans.

Notes Payable

The Michigan Municipal Bond Authority has short-term notes outstanding of \$614.1 million as of September 30, 2001.

B. Unrecorded Limited Obligation Debt

Certain State financing authorities have issued limited obligation revenue bonds which are not recorded as liabilities in these statements because the borrowings are, in substance, debts of other entities. The State has no obligation for this debt. Typically, these borrowings are repayable only from the repayment of loans, unloaned proceeds and related interest earnings, and any collateral which may be provided.

The Michigan Higher Education Facilities Authority (MHEFA) issues limited obligation bonds to finance loans to private nonprofit institutions of higher education for capital improvements. As of September 30, 2001, MHEFA had bonds outstanding of \$312.4 million. Of the above amount, \$20.6 million of bonds have been defeased in substance, leaving a remaining undefeased balance of \$291.8 million.

The Michigan Strategic Fund (MSF) issues industrial development revenue bonds (\$5.8 billion for the period January 1, 1979 through September 30, 2001) which are not recorded as liabilities. Total taxable bonds issued by MSF for the period October 1, 1997 through September 30, 2001, was \$8.3 million, which are not recorded as liabilities. These borrowings are, in substance, debts of other entities and financial transactions are handled by outside trustees.

Michigan
Notes to the Financial Statements

The Michigan State Hospital Finance Authority (MSHFA) has issued \$4.8 billion of no commitment bonds as of September 30, 2001. Of the above amount, \$1.1 billion have been defeased in substance. Economic gains and accounting gains and losses, resulting from substance defeasance, inure to the benefit of the facility for which the bonds were issued, and accordingly are not reflected in the Authority's financial statements. Subsequent to September 30, 2001, the Authority issued similar limited obligation bonds totaling \$91.3 million.

The Michigan State Housing Development Authority (MSHDA) has been authorized to issue up to \$800 million of limited obligation bonds to finance multi-family housing projects. At June 30, 2001, limited obligation bonds had been issued totaling \$426.7 million, of which eight issues totaling \$70.2 million had been retired.

NOTE 16 – INCOME TAX REFUNDS AND TAX EXPENDITURES

A. Income Tax Credits

The Michigan Income Tax Act provides for several types of tax credits. Some credits are accounted for as revenue reductions for financial reporting purposes while others are reported as expenditures. Revenue reductions are reported for those income tax credits that are limited by the amount of an individual's tax liability before considering such credits. To the extent these nonrefundable credits will generate future year payments, they are accrued as income tax refund liabilities together with estimated overwithholdings.

Expenditures are reported for those credits which can be received even if they exceed the individual's tax liability. For these refundable credits, the substance of the transaction is that the State is making a grant payment using the income tax system as a filing and payment mechanism. The amount of credit received is not a part of the determination of tax liability. The State's property tax, home heating, and senior citizens' prescription drugs credits are the primary credits that fall into this category. Expenditures for these credits are recognized in the year the tax returns are filed and recipients claim the credits.

The following table summarizes the various credits, reported as an expense/expenditure on the "Tax credits" line in the government-wide and fund financial statements (in millions).

Property tax credits:	
General homestead	\$ 255.9
Senior citizens	220.4
Farmland preservation	18.9
Other property tax credits	21.0
Subtotal – property tax credits	<u>516.2</u>
Home heating (excluding federal share)	1.8
Senior citizens' prescription drugs	14.8
Total tax expenditures	<u>\$ 532.8</u>

B. Income Tax Refunds Payable

The \$618.0 million reported as a liability on the "Income tax refunds payable" line in the government-wide and fund financial statements includes: projected refund estimates for overwithholding and tax credits reported as revenue reductions, actual refunds made in October and November, and accruals for known income tax litigation losses.

NOTE 17 – LOTTERY PRIZE AWARDS PAYABLE

The State Lottery Fund makes long-term prize awards for certain games, most notably the lotto games. Liabilities related to these deferred prize awards are recorded at their present value using discount rates ranging from 5.5% to 8.5%. The liquidation of these liabilities is provided for by investment in U.S. Treasury deep discount bonds and in the State's Common Cash pool.

Prize awards payable in future years are as follows (in millions):

Fiscal year ending September 30:

2002 (net of unamortized discount)	\$ 148.4
2003	109.8
2004	109.5
2005	103.0
2006	94.2
2007 through 2011	333.8
2012 through 2016	130.2
Later years	<u>49.4</u>
Total	1,078.2
Less unamortized discount on long-term portion	<u>(314.2)</u>
Total at present value	<u>\$ 764.0</u>

Public Act 239 of 1972 required that, as nearly as practicable, 45% of gross ticket revenue shall be allocated for prizes awards. Effective December 17, 1998, P.A. 393 of 1998 requires as nearly as practicable until January 1, 2003, that not less than 45% of gross ticket revenue shall be allocated for prize awards. On or after January 1, 2003, 45% of gross ticket revenues shall be allocated for prize awards.

Public Act 95 of 1996 allows the State Lottery to participate in joint enterprises (such as multi-state lotteries) with other sovereignties. Prize awards from joint enterprises shall be the percentage of total annual revenue accrued from that game as prescribed by the joint enterprise participation agreement. More detailed information on the State Lottery Fund is available in the fund's separately issued audited financial statements, which are prepared semiannually.

NOTE 18 – OTHER LONG-TERM LIABILITIES

Discretely Presented Component Units

Michigan Education Trust (MET)

MET offers contracts which, for actuarially determined amounts, provide future tuition at State institutions of higher education. Contract provisions also allow the benefits to be used at private or out-of-state institutions, with the amount provided being based upon rates charged by the State's public institutions of higher education. The tuition payments are made by MET as a separate legal entity and these contracts are not considered obligations of the State. The Legislature is not obligated to provide appropriations should losses occur. The statutes and contracts provide for refunds to the participants if MET becomes actuarially unsound. Liabilities have been recorded on the statement of net assets for the actuarial present value of future tuition benefit obligations.

The 1988, 1989, and 1990 enrollments are known as Plans B and C. Enrollments after November 1995 are known as Plan D.

The actuarial report on the status of MET Plans B and C, as of September 30, 2001, shows the actuarial present value of future tuition obligations to be \$635.6 million, as compared to the actuarially determined market value of assets available of \$734.7 million. The actuarial assumptions used include: a projected tuition increase rate of 5.71% for the years through 2007 and 7.30% for subsequent years; and a discount rate of 6.20%.

The actuarial report on the status of MET Plan D, as of September 30, 2001, shows the actuarial present value of future tuition obligations to be \$123.6 million, as compared to the actuarially determined market value of assets available of \$127.3 million. The actuarial assumptions used include: a projected tuition increase rate of 5.71% for the years through 2007 and 7.30% for subsequent years; and a discount rate of 7.00%.

On November 8, 1994, the U.S. Court of Appeals for the Sixth Circuit ruled that MET is an integral part of the State of Michigan and, thus, the investment income realized by MET is not currently subject to federal income tax. On August 20, 1996, the Small Business Job Protection Act of 1996 (the "1996 Tax Act") was signed into law which included a provision adding a new section to the Internal Revenue Code of 1986 defining "qualified state tuition programs." A qualified state tuition program is generally exempt from income tax, but is subject to unrelated business income tax. MET has no unrelated business income. Distributions made in excess of contributions (whether to the refund designee, beneficiary, or to a college on behalf of the beneficiary) are taxable income to the beneficiary or the refund designee. The Internal Revenue Service (IRS) was expected to release regulations in 2000, which would have clarified the 1996 federal legislation for qualified state tuition programs. In May 1997, MET submitted a request for ruling to the IRS for verification that MET is in compliance with the 1996 Tax Act. On December 23, 1997, the IRS issued a favorable ruling which confirms that MET is in compliance with the Act.

NOTE 19 – DEFERRED COMPENSATION PLANS

The State offers its employees (excluding university employees) two deferred compensation plans to allow a portion of their salary to be deferred until future years. Executive Order 1999-7 transferred administrative oversight of the plans, labeled 457 and 401k after sections of the Internal Revenue Code, to the Department of Management and Budget. Day-to-day operations of the plans have been contracted to a third-party; however, the State Treasurer oversees investment options. The 457 plan and the 401k plan are combined for reporting purposes under the heading of "State Employees' Deferred Compensation Funds."

The State makes no contribution to the 457 plan, but makes matching contributions to the 401k plan as part of certain employees' compensation packages. To expand investment options, three

investment tiers were developed and made available to participants on July 1, 1997. Participants invest their contributions and accumulated earnings by selecting mutual funds in one or more of the investment tiers. Employees may, at any time, transfer accumulated balances and future contributions among mutual funds in the investment tiers. Investment earnings, net of administrative charges, are credited to the participants proportionally, based upon their balances in the plan.

The 401k plan includes loan provisions. Loans to participants are recorded as assets. The 457 plan does not include loan provisions.

Net assets available for plan benefits for the 457 plan and the 401k plan at September 30, 2001, were \$2.0 and \$1.1 billion, respectively.

NOTE 20 – INTERFUND RECEIVABLES AND PAYABLES

A. Primary Government

The balances of current interfund receivables and payables as of September 30 were (in millions):

Due From	Due To						Total
	General Fund	School Aid Fund	Non-major Governmental Funds	Unemployment Compensation Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$ -	\$ -	\$ -	\$ 1.6	\$ 12.5	\$ 13.6	\$ 27.6
School Aid Fund	117.3	-	-	-	-	-	117.3
Non-major Governmental Funds	181.1	-	192.2	-	1.3	1.3	375.9
State Lottery Fund	-	9.0	-	-	-	-	9.1
Unemployment Compensation Funds	-	-	-	2.8	-	-	2.8
Non-major Enterprise Funds	-	-	-	-	-	-	.1
Internal Service Funds	-	-	-	-	26.3	.1	26.4
Fiduciary Funds	.2	-	-	-	-	-	.2
Total	\$ 298.6	\$ 9.0	\$ 192.2	\$ 4.4	\$ 40.2	\$ 15.1	\$ 559.5

Interfund receivables and payables are recorded for 1) borrowings to eliminate negative balances in the Common Cash pool, as described in Note 5, 2) payroll liabilities for group insurance and retirement, and 3) tax accrual distributions for taxes collected in the following fiscal year.

Not included in the table above are the following interfund advances, which are not expected to be repaid within one year: \$7.2 million due from the Correctional Industries Revolving Fund (an internal service fund) to the General Fund for amounts loaned for capital construction and \$26.4 million due from the Blue Water Bridge Fund to the State Trunkline Fund (both reported as part of the State Trunkline Fund, a special revenue fund) for federal funds loaned for bridge construction.

B. Discretely Presented Component Units

Receivables and related liabilities between the primary government and the discretely presented component units, do not agree because the Michigan State Housing Development Authority and the ten State universities have a June 30 fiscal year-end.

NOTE 21 – INTERFUND COMMITMENTS

A. Mackinac Bridge Authority

The Mackinac Bridge Authority, a discretely presented component unit, has over the years received \$75.3 million of subsidies, including \$12.3 million for operations and \$63.0 million for debt service. These subsidies were provided by the State Trunkline and Michigan Transportation funds, respectively, both of which are special revenue funds.

State statutes require that the Authority continue charging bridge tolls and begin repaying the State funds for the subsidies provided. These repayments are to continue until such time as the subsidies have been completely returned. The Authority has not recorded a liability and the State funds have not recorded receivables for these subsidies because: the reimbursements

are contingent upon future net revenues, there is no repayment schedule, and the repayment commitment is long-term and budgetary in nature. Repayments may be authorized by the Authority, after consideration of the Authority's annual needs for its operations and planned repairs and improvements.

As of September 30, 2001, the Authority has repaid a total of \$9.5 million of the advance from the Michigan Transportation Fund, leaving a balance of \$53.5 million. No repayments have been made on the advance from the State Trunkline Fund.

NOTE 22 – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2001, consisted of the following (in millions):

Transferred From	Transferred To				Total
	General Fund	School Aid Fund	Non-major Governmental Funds	Fiduciary Funds	
General Fund	\$ -	\$ 385.2	\$ 351.0	\$.7	\$ 737.0
Budget Stabilization Fund	270.0	32.0	35.0	-	337.0
School Aid Fund	2.9	-	-	-	2.9
Non-major Governmental Funds	176.6	-	1,157.7	-	1,334.3
State Lottery Fund	10.4	587.0	-	-	597.4
Unemployment Compensation Funds	2.6	-	10.3	-	12.9
Non-major Enterprise Funds	127.4	-	-	-	127.4
Internal Service Funds	.2	-	-	-	.2
Fiduciary Funds	37.0	-	.6	-	37.6
Total	\$ 627.0	\$ 1,004.2	\$ 1,554.6	\$.7	\$ 3,186.7

Transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move profits from the Liquor Purchase Revolving Fund and the State Lottery Fund as required by law, and 5) transfer budgetary surpluses from the General Fund to the Counter-Cyclical Budget

and Economic Stabilization Fund or transfer accumulated surpluses from the Counter-Cyclical Budget and Economic Stabilization Fund to other funds when necessary.

In the fiscal year ended September 30, 2001, the State recorded transfers for \$270.0 million from the Counter-Cyclical Budget and Economic Stabilization Fund to the General Fund to subsidize lower than expected revenues. These transfers were made in accordance with statutory authority granted by the Legislature.

NOTE 23 – FUND DEFICITS

A. Primary Government

Governmental Funds

The Combined Recreation Bond Fund – Local Projects, a special revenue fund, had a fund balance deficit of \$13.5 million. The deficit was caused by expenditures for projects for which bonds have not yet been issued.

The Combined Recreation Bond Fund – State Projects, a capital projects fund, had a fund balance deficit of \$1.6 million. The deficit was caused by expenditures for projects for which bonds have not yet been issued.

The Advance Financing Funds, a capital projects fund, had a fund balance deficit of \$175.5 million. The deficit was caused by expenditures for projects for which bonds have not yet been

issued and for expenditures incurred to improve State-owned sites that have not been sold.

The State Building Authority, a capital projects fund, had a fund balance deficit of \$95.4 million. The deficit was caused by amounts due to the Advance Financing Funds for reimbursable expenditures for which bond or commercial paper proceeds have not yet been received.

B. Discretely Presented Component Units

All discretely presented component units have positive net asset balances as of September 30, 2001.

NOTE 24 – FUND BALANCES

A. Reservations - Primary Government

The line entitled "Reserved fund balance" on the Governmental Funds Balance Sheet at September 30 consists of the following (in millions):

	General	School Aid	Other Special Revenue	Capital Projects	Permanent	Total
Budgetary carry-forwards:						
Encumbrances	\$ 137.6	\$.3	\$ 112.3	\$ -	\$ 16.9	\$ 267.1
Restricted revenues	1,006.6	7.7	358.2	-	-	1,372.5
Multi-year projects (capital outlay and work projects)	308.1	-	251.6	-	30.8	590.4
Construction and debt service	-	-	35.9	15.5	-	51.4
Revolving loan programs	5.0	-	43.6	-	-	48.6
Funds held as permanent investments	-	-	109.5	-	382.9	492.4
Noncurrent assets	423.1	1.3	27.1	-	-	451.5
Total Reserved Fund Balances	\$ 1,880.5	\$ 9.3	\$ 938.1	\$ 15.5	\$ 430.6	\$ 3,274.0

Budgetary carry-forwards represent unused spending authorization that continues to be available in the new year. Restricted revenue carry-forwards include revenues restricted by law for specified purposes. The largest restricted revenue carry-forwards in the General Fund are related to Medicaid Benefits Trust, \$420.9 million, and local government revenue sharing, \$207.4 million. Beginning in 1996, encumbrances in multi-year projects are recorded in the reserve for encumbrances. Similar amounts in previous years had not been specifically identified, and were thus included in the broader reserve for multi-year projects. The \$308.1 million of multi-year projects in the General Fund includes \$139.1 million of capital outlay and \$169.0 million of work project authorizations. Such amounts are reserved because the funds are legally segregated for a specific purpose.

Construction and debt service reserves represent amounts which are restricted for State Trunkline Fund's debt service and State Building Authority projects that are in process.

Reserves for revolving loan programs represent fund balance which has been appropriated for the purpose of making loans that will encourage economic development in the State.

Repayments on such loans are authorized to be used to make new loans.

Funds held as permanent investments represent amounts that have been legally restricted for the purpose of providing a long-term source of investment income. These investments can include either specific investments held for the fund or portions of the fund's share of the Common Cash pool.

Reserves are recorded for noncurrent assets if they do not represent current financial resources available for appropriation. No reservation is recorded for noncurrent assets if doing so would result in a duplicate reduction of unreserved fund balance. This occurs if the noncurrent assets have already been reserved for some other reason or if they are related to revenues that have been deferred because of not being "available."

Also, no reservations of fund balances are recorded in single purpose special revenue and debt service funds. From the overall State perspective, the unreserved fund balances of funds other than the General Fund are restricted by the nature of the fund type and they are not available for general State purposes.

Michigan
Notes to the Financial Statements

B. Net Asset Designations - Primary Government

The line "Unrestricted net assets" on the government-wide Statement of Net Assets contains designations as follows:

The State Sponsored Group Insurance Fund, an internal service fund, described in Note 27, designated \$58.3 million for future catastrophic losses.

NOTE 25 – DISAGGREGATION OF PAYABLES

The line "Current Liabilities: Accounts payable and other liabilities," as presented on the government-wide Statement of Net Assets and the applicable Balance Sheets and Statements of Net Assets in the fund financial statements, consists of the following (in millions):

	General Fund	School Aid Fund	Non-major Govern- mental Funds	Other Funds	State Lottery Fund	Michigan Unemployment Compensation Funds	Liquor Purchase Revolving Fund	Total
Medicaid Programs	\$ 451.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 451.5
Non-Medicaid Health Programs	180.1	-	3.5	-	-	-	-	183.6
Family Independence Programs	320.9	-	.1	-	-	-	-	321.0
Transportation Programs	-	-	451.1	-	-	-	-	451.1
School Aid Programs	-	121.1	-	-	-	-	-	121.1
Merit Award Scholarships	-	-	101.4	-	-	-	-	101.4
Payroll and Withholdings	121.0	-	13.3	-	.4	-	.5	135.2
Tax Refunds other than Income Tax	155.0	4.1	7.2	-	-	-	-	166.4
Unearned Receipts	41.9	-	1.3	-	-	-	-	43.2
Amounts Held for Others	18.1	-	4.9	-	.8	-	-	23.9
Capital Project Related	-	-	162.0	-	-	-	-	162.0
Prize Awards	-	-	-	-	148.4	-	-	148.4
Liquor Purchase	-	-	-	-	-	-	52.9	52.9
Unemployment Payments	-	-	-	-	-	17.3	-	17.3
Internal Service Fund Liabilities	-	-	-	35.1	-	-	-	35.1
Due to Fiduciary Funds*	-	-	-	15.1	-	-	-	15.1
Miscellaneous	313.5	-	102.8	-	5.2	-	-	421.5
Total	\$ 1,602.0	\$ 125.2	\$ 847.7	\$ 50.2	\$ 154.8	\$ 17.3	\$ 53.4	\$2,850.6

*This amount represents amounts due to fiduciary funds which were reclassified as external payables on the government-wide Statement of Net Assets.

NOTE 26 – CONTINGENCIES AND COMMITMENTS

A. Primary Government

Litigation

In the government-wide and proprietary fund financial statements, the State accrues liabilities related to significant legal proceedings if a loss is probable and reasonably estimable. In the governmental fund financial statements, liabilities are accrued when cases are settled and the amount is due and payable.

The State is a party to various legal proceedings seeking damages, injunctive, or other relief. In addition to routine litigation, certain of these proceedings could, if unfavorably resolved from the point of view of the State, substantially affect State programs or finances. These lawsuits involve programs generally in the areas of corrections; tax collection; commerce and budgetary reductions to school districts and governmental units; and court funding. Relief sought generally includes damages in tort cases; improvement of prison medical and mental health care and refund claims under State taxes. The State is also a party to various legal proceedings that, if resolved in the State's favor, would result in contingency gains to the State, but without material effect upon fund balance/net assets. The ultimate dispositions and consequences of all of these proceedings are not presently determinable, but such ultimate dispositions and consequences of any single proceeding or all legal proceedings collectively should not themselves, except as listed below, in the opinion of the Attorney General of the State and the Office of the State Budget, have a material adverse effect on the State's financial position. Those lawsuits pending which may have a significant impact or substantial effect on State programs or finances, if resolved in a manner unfavorable to the State, include the following:

10th Judicial Circuit et al v State of Michigan et al: On August 22, 1994, the Ingham Circuit and Probate Courts, together with the 55th District Court, filed suits in the Court of Claims and Ingham County Circuit Court against the State of Michigan and Ingham County entitled, 30th Judicial Circuit et al v Governor et al for declaratory and injunctive relief, and for damages, due to the alleged failure of the State Court Administrative Office to properly calculate Ingham County's reimbursement under MCL 600.9947; MSA 27A.9947, the court funding statute. The 30th Judicial Circuit et al v Governor et al case has been dismissed by stipulation of the parties because the plaintiffs are raising the same claims as members of a class action captioned as 10th Judicial Circuit et al v State of Michigan et al (Saginaw Circuit Court No. 94-2936-AA-1/Court of Claims No. 94-15534-CM). Plaintiffs assert that the amount in controversy exceeds \$5 million. The case is currently pending final class certification.

Durant et al v State of Michigan: On November 15, 2000, more than 365 Michigan school districts and individuals filed two suits in the Michigan Court of Appeals. The first suit, Durant et al v State et al, ("Durant III") asserts that the current State School Aid appropriation act, P.A. 297 of 2000, violates Michigan Constitution, Article 9, §§ 25-34 (the "Headlee Amendment"), because it allegedly transfers per pupil revenue guaranteed to school districts under the Constitution of 1963, Article 9, § 11, for unrestricted school operating purposes, in order to satisfy the State's independent funding obligation to those school districts under Article 9, § 29. The plaintiffs in Durant III are seeking a monetary remedy, including approximately \$1.7 billion for the 1999-2000 through 2002-2003 school years for the State's alleged underfunding of special education programs and services, inclusive of special education transportation services. The Durant III plaintiffs are also requesting a declaratory judgment that the State, through P.A. 297 of 2000, is violating Article 9, § 11, and Article 9, § 29. The Durant III

plaintiffs further seek orders declaring that the State has failed, through P.A. 297 of 2000, to meet its constitutional duty to fund services and activities provided by the plaintiff school districts during school years 1999-2000 through 2002-2003 in the same proportion by which they were funded when the Headlee Amendment became effective, and that the State has reduced the State-financed proportion of necessary costs incurred by the plaintiff school districts for special education services for the 1999-2000 through 2002-2003 school years below that provided by the State when the Headlee Amendment became effective. The Durant III plaintiffs also seek an injunction permanently enjoining the State from making any future reductions below the levels of funding provided when the Headlee Amendment became effective to pay for the cost of the activities and services required of them by State law. They also seek attorneys' fees and costs of litigation.

The second suit, Adair et al v State et al ("Adair"), asserts that the State has, by operation of law, increased the level of various specified activities and services beyond that which was required by State law as of December 23, 1978 and, subsequent to December 23, 1978, added various specified new activities or services by State law, including mandatory increases in student instruction time, without providing funding for these new activities and services, all in violation of the Headlee Amendment. In the original complaint, the Adair plaintiffs sought an unspecified money judgment equal to the reduction in the State financed proportion of necessary costs incurred by the plaintiff school districts for each school year from 1997-1998 through the date of any judgment and for attorneys' fees and litigation costs. The Adair plaintiffs also sought a declaratory judgment that the State has failed to meet its funding responsibility under the Headlee Amendment to provide the plaintiff school districts with revenues sufficient to pay for the necessary increased costs for activities and services first required by State law after December 23, 1978, and to pay for increases in the level of required activities and services beyond that which was required by State law as of December 23, 1978.

On January 2, 2001, plaintiffs filed a first amended complaint in both Durant III and Adair increasing the number of school district plaintiffs to 443. On February 22, 2001, plaintiffs filed a second amended complaint in Durant III increasing the number of school district plaintiffs to 457. On April 16, 2001, plaintiffs filed a second amended complaint in Adair increasing the number of school district plaintiffs to 463. The second amended complaint includes a request for declaratory relief, attorneys' fees and litigation costs but does not include a request for money judgment.

Jefferson Smurfit Corporation v State of Michigan: On November 24, 1999, the Michigan Court of Claims in Jefferson Smurfit Corporation v State of Michigan, File No. 98-17140-CM, ruled that the site-based capital acquisition deduction in Michigan's single business tax act is unconstitutional. According to the Michigan Department of Treasury, the potential financial impact of this decision is approximately \$261 million. The State has appealed the decision. On November 13, 2001, the Michigan Court of Appeals issued its opinion reversing the decision of the lower court and holding that the capital acquisition deduction did not violate constitutional provisions. It is anticipated that the taxpayers will seek reconsideration or will file their application for leave to appeal with the Michigan Supreme Court.

Federal Grants

The State receives significant financial assistance from the federal government in the form of grants and entitlements. The receipt of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations. Substantially all federal grants are subject to either federal single audits or financial and compliance audits by grantor agencies. Questioned costs as a result of these audits may become disallowances after the appropriate review of federal agencies. Material disallowances are recognized as fund liabilities in the government-wide and proprietary fund financial statements when the loss becomes probable and reasonably estimable. As of September 30, 2001, the State estimates that additional disallowances of recognized revenue will not be material to the general purpose financial statements.

The Department of Community Health (DCH) administers the School Based Outreach Services Program to provide certain health services to school-aged children. A dispute arose between DCH and the U.S. Department of Health and Human Services (HHS) regarding costs which had been submitted to HHS for reimbursement. The dispute involved costs covering several years. In January 2002 the State and HHS negotiated an agreement to resolve the dispute. Although the U.S. Department of Justice must approve the settlement, the State views that action as a formality and has adjusted the accounting records at September 30, 2001, to reflect the impact of the settlement. In the event that the agreement is set aside, the State would again assert its claim for reimbursement for costs disallowed by HHS.

Federal sanctions that may result in a loss to the State include \$47.5 million for the Food Stamp Program and \$55.2 million for the Child Support Enforcement System.

Gain Contingencies

Certain contingent receivables related to the Family Independence Agency are not recorded as assets in these statements. Amounts recoverable from Family Independence Agency grant recipients for grant overpayments or from responsible third parties are recorded as receivables only if the amount is reasonably measurable, expected to be received within 12 months, and not contingent upon future grants or the completion of major collection efforts by the State. If recoveries are accrued and the program involves federal participation, a liability for the federal share of the recovery is also accrued. The unrecorded amount of potential recoveries, which are ultimately collectible, cannot be reasonably determined.

In November 1998, the Attorney General joined 45 other states and five territories in a settlement with the nation's largest tobacco manufacturers. The settlement includes base payments to states totaling \$220.6 billion over the next 25 years, and continues in perpetuity. Michigan's share of the settlement is expected to be \$8.5 billion over the next 25 years starting in 1998 and \$348.3 million thereafter, adjusted for inflation and other factors. The State also received \$2.2 million, representing costs incurred to litigate the case. While Michigan's share of the base payments will not change over time, the amount of the annual payment is subject to a number of modifications including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), while other adjustments will likely cause decreases in the payments (volume adjustments, for example). The net effect of these adjustments on future payments is unclear, therefore the financial statements only reflect amounts which can be reasonably estimated.

Construction Projects

As of September 30, 2001, several construction projects were in progress, with several others in the planning stages. A more detailed discussion of construction commitments is included in the construction in progress disclosures (Note 10).

The Department of Transportation has entered into construction contracts that will be paid with transportation related funds. As of September 30, 2001, the balances remaining in these contracts equaled \$583.2 million.

Contingent Liability for Local School District Bonds

Public Act 108 of 1961, as amended, resulted in a contingent liability for the bonds of any school district which are "qualified" by the Superintendent of Public Instruction. Every qualified school district is required to borrow and the State is required to lend to it any amount necessary for the school district to avoid a default on its qualified bonds. In the event that funds are not available in the School Bond Loan Fund in adequate amounts to make such a loan, the State is required to make such loans from the General Fund. As of December 31, 2001, the principal amount of qualified bonds outstanding was \$11.1 billion. Total debt service requirements on these bonds including interest will approximate \$972.0 million in 2002. The amount of loans by the State (related to local school district bonds qualified under this program), outstanding to local school districts as of September 30, 2001, is \$410.0 million. Interest due on these loans as of September 30, 2001, is \$78.8 million.

B. Discretely Presented Component Units

Student Loan Guarantees

The Michigan Higher Education Assistance Authority (MHEAA) is contingently liable for loans made to students by financial institutions that qualify for guaranty. The State, other than MHEAA, is not liable for these loans. MHEAA's default ratio is currently below 5% for the fiscal year ended September 30, 2001. As a result, the federal government's reinsurance rate for defaults for the fiscal year ended September 30, 2001, is 100% for loans made prior to October 1, 1993, and 98% for loans made on or after October 1, 1993 to September 30, 1998. In the event of future adverse default experience, MHEAA could be liable for up to 25% of defaulted loans. Management does not expect that all guaranteed loans could default in one year. At the beginning of each fiscal year, MHEAA's reinsurance rate returns to 98%. In the event of future adverse default experience, MHEAA could be liable for up to 25% of such defaulted loans. Accordingly, MHEAA's expected maximum contingent liability is less than 25% of outstanding guaranteed loans; however, the maximum contingent liability at September 30, 2001, is \$639.8 million.

MHEAA entered into commitment agreements with all lenders that provide, among other things, that MHEAA will maintain cash and marketable securities. MHEAA was in compliance with this requirement as of September 30, 2001, at an amount sufficient to guarantee loans in accordance with the Higher Education Act of 1965, as amended.

Multi-Family Mortgage Loans

As of June 30, 2001, the Michigan State Housing Development Authority (MSHDA) has commitments to issue multi-family mortgage loans in the amount of \$77.5 million and single-family mortgage loans in the amount of \$21.0 million.

MSHDA has committed up to approximately \$1.1 million per year for up to 30 years from the date of completion of the respective developments (subject to three years advance notice of termination) from its accumulated reserves and future income to subsidize operations or rents for certain tenants occupying units in certain developments funded under MSHDA's multi-family program.

NOTE 27 – RISK MANAGEMENT

A. Primary Government

General

The State has elected not to purchase commercial insurance for many of the risks of losses to which it is exposed. The State is self-insured for most general liability and property losses, portions of its employee insurance benefit and employee bonding programs, automobile liability, and workers' compensation and unemployment compensation claims. Areas of risk where some level of insurance coverage is purchased include: aircraft liability, property and loss rental insurance that may be required by bond or lease agreements, portions of the State employee insurance benefits program, certain State artifacts, builder's risk coverage, boiler and machinery coverage, and employee bonding. Settled claims have not exceeded commercial coverage in any of the past nine fiscal years.

The State has established two internal service funds, which are described below, to account for certain aspects of the risk management program. Fund expenditures (expenses) are recognized in the paying funds in a manner similar to purchased commercial insurance. For other uninsured losses not covered by an internal service fund program, the State recognizes fund liabilities in the fund incurring the loss as follows: governmental funds record an expenditure when a loss is due and payable; proprietary funds record an expense when it is probable that a loss has occurred and the amount can be reasonably estimated. As explained more fully in Note 14, losses for workers' compensation and certain types of litigation losses have been recognized as liabilities in the government-wide financial statements.

For unemployment claims, the Unemployment Agency (UA) bills the State for the actual amount of claims paid to former State employees. The State accrues liabilities in the governmental fund financial statements for unemployment compensation, only to the extent paid by UA through September 30. During the 2000-2001 fiscal year, expenditures for payments to former State employees (not including university employees) totaled \$5.4 million. The potential liability for future payments cannot be estimated.

The State's two internal service funds, which account for certain areas of risk management, follow accounting standards established by the GASB. This results in a reporting which is very similar to that used in the private insurance industry. The various component programs within the two funds may incur deficits during a given year, but each program's surplus and unrestricted net asset balance is considered in calculating future charges or benefit levels.

Risk Management Fund

This fund was established during fiscal year 1989-1990 to account for insurance management activities implemented within the Department of Management and Budget. The automotive liability and administrative functions are accounted for as operating activities of this fund. Expenses and liabilities for claims, including incurred but not reported or not processed claims, have been recorded in the amount of \$6.5 million. This includes a long-term portion, which is recorded at \$4.3 million.

Changes in the Risk Management Fund's claims for automobile liability for the fiscal years ending September 30, 2001 and 2000 are as follows (in millions):

	2001	2000
Balance - beginning	\$ 8.0	\$ 6.9
Current year claims and changes in estimates	1.2	1.8
Claim payments	(2.6)	(.8)
Balance - ending	<u>\$ 6.5</u>	<u>\$ 8.0</u>

State Sponsored Group Insurance Fund

The Department of Management and Budget uses this fund to account for employee and retiree insurance benefit programs, which are largely self-funded. Expenses and liabilities for claims, which include incurred but not reported or not processed benefit claims, based on preliminary estimates from the plan administrators, have been recorded as liabilities in the amount of \$183.7 million. This includes a long-term portion which is recorded at a discounted present value of \$84.0 million using a discount rate of 10.5% (first 10 years of disability), 9.0% (next 10 years), and 6.0% thereafter for claims incurred prior to January 1, 1992. Claims incurred in past years were discounted using rates as follows in the calculation of incurred but not reported claims: 1993 and 1994 used a rate of 6.0%, 1995 used a rate of 6.25%, 1996 and 1997 used a rate of 5.75%, and 1998 through 2001 used a rate of 5.25%.

Payments to the State Sponsored Group Insurance Fund are based on estimates of amounts needed to pay prior and current year claims. In addition, a portion of the fund's net assets has been designated for catastrophic losses. The risk management designation represents the level of reserves that should be maintained to ease large fluctuations in premium levels in years of unexpected excessive claims. That designation was \$58.3 million at September 30, 2001. Unrestricted net assets totaled \$60.0 million at September 30, 2001.

Changes in the State Sponsored Group Insurance Fund's claims liability for employee and retiree insurance benefit programs for the fiscal years ending September 30, 2001 and 2000 are as follows (in millions):

	2001	2000
Balance - beginning	\$ 184.0	\$ 173.7
Current year claims and changes in estimates	516.9	494.6
Claim payments	(517.2)	(484.3)
Balance - ending	<u>\$ 183.7</u>	<u>\$ 184.0</u>

B. Discretely Presented Component Units

State Universities

The State university component units participate with the other Michigan public universities in the Michigan Universities Self-Insurance Corporation (MUSIC), which provides indemnity to its members against comprehensive general liability, errors and omissions losses, and property damage commonly covered by insurance. Loss coverages for comprehensive general liability and property are structured on a three-layer basis with each member retaining a portion of its losses, MUSIC covering the second layer, and commercial carriers covering the third layer. For all policy years through June 30, 1993, errors and omissions coverage was structured on a two-layer basis with no excess insurance provided. Effective July 1, 1993, MUSIC obtained excess insurance coverage from commercial carriers covering the third layer. For automobile liability there is no

member retention. Comprehensive general liability, property and automobile liability coverage is provided on an occurrence basis; errors and omissions coverage is provided on a claims made basis.

The universities made initial capital contributions and make premium payments to cover administrative costs, the cost of obtaining excess insurance coverage, and claims for risk retained by the facility. Premiums to facility participants are adjusted based on the difference between actual claims and the amount of claims originally estimated for a year. Liabilities for estimated losses retained by the universities under MUSIC have been established in the operating funds of the universities.

NOTE 28 – SUBSEQUENT EVENTS

A. Long-Term Borrowing

In October 2001, the State issued school loan bonds totaling \$47.1 million to finance loans to school districts.

In October 2001, the State issued Clean Michigan Initiative bonds totaling \$56.8 million. The bonds were part of the \$675 million general obligation bond package authorized by the voters in 1998. The funds will be used primarily for environmental cleanup, water enhancement and protection, and infrastructure improvements at State parks.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2001

(In Thousands)

	GENERAL FUND			VARIANCE WITH FINAL BUDGET
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Beginning budgetary fund balance	\$ 1,739,887	\$ 1,739,887	\$ 1,739,887	\$ -
Resources (inflows):				
General purpose revenues:				
Taxes	9,408,000	8,687,550	8,687,550	-
Federal	50,000	24,633	24,633	-
Local	1,000	1,767	1,767	-
Licenses and permits	24,000	23,502	23,502	-
Services	9,000	4,770	4,770	-
Miscellaneous	89,000	143,221	143,221	-
Transfers in	143,000	529,029	529,029	-
Restricted revenues:				
Taxes	1,804,919	2,325,513	2,325,513	-
Federal	8,377,749	8,286,131	8,286,131	-
Local	1,054,974	1,260,283	1,260,283	-
Licenses and permits	230,467	196,230	196,230	-
Services	169,338	109,875	109,875	-
Miscellaneous	746,311	368,691	368,691	-
Transfers in	86,932	98,019	98,019	-
Total revenue inflows	<u>22,194,689</u>	<u>22,059,213</u>	<u>22,059,213</u>	<u>-</u>
Amounts available for appropriation	<u>23,934,576</u>	<u>23,799,101</u>	<u>23,799,101</u>	<u>-</u>
Charges to appropriations (outflows):				
Legislative Branch	186,172	169,865	168,971	895
Judicial Branch	249,384	243,585	236,329	7,257
Executive Branch:				
Agriculture	118,040	97,067	96,799	268
Attorney General	61,402	56,299	55,600	699
Career Development	531,316	446,978	446,825	152
Civil Rights	16,463	15,541	15,289	252
Civil Service	32,310	31,679	31,679	-
Colleges and Universities Grants	2,105,059	2,102,765	2,102,073	693
Community Health	8,497,159	8,985,614	8,981,466	4,148
Consumer and Industry Services	269,829	248,147	246,617	1,530
Corrections	1,735,059	1,699,812	1,692,214	7,598
Education	1,317,292	1,217,029	1,216,005	1,024
Environmental Quality	360,781	210,814	210,725	89
Executive Office	5,680	5,711	5,674	37
Family Independence Agency	3,644,929	3,660,366	3,657,224	3,142
Management and Budget	967,762	600,496	586,261	14,235
Military and Veterans Affairs	99,256	98,850	96,952	1,898
Natural Resources	134,457	119,503	114,551	4,952
State	196,743	188,996	185,850	3,145
State Police	423,085	439,257	430,227	9,030
Transportation	32,663	17,160	17,160	-
Treasury	1,989,351	2,474,912	2,468,914	5,998
Intrafund expenditure reimbursements	-	(673,758)	(673,758)	-
Total charges to appropriations	<u>22,974,191</u>	<u>22,456,688</u>	<u>22,389,647</u>	<u>67,041</u>
Reconciling Items:				
Encumbrances at September 30	-	137,626	137,626	-
Change in noncurrent assets:	-	(61,680)	(61,680)	-
Net Reconciling Items	-	75,945	75,945	-
Ending budgetary fund balance	<u>\$ 960,385</u>	<u>\$ 1,418,358</u>	<u>\$ 1,485,399</u>	<u>\$ 67,041</u>

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2001

(In Thousands)

	SCHOOL AID FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Beginning budgetary fund balance	\$ 983,899	\$ 983,899	\$ 983,899	\$ -
Resources (inflows):				
General purpose revenues:				
Taxes	9,749,200	9,407,071	9,407,071	-
Federal	-	-	-	-
Local	-	-	-	-
Licenses and permits	-	-	-	-
Services	-	-	-	-
Miscellaneous	-	117,380	117,380	-
Transfers in	856,903	839,551	839,551	-
Restricted revenues:				
Taxes	-	-	-	-
Federal	145,000	148,627	148,627	-
Local	-	-	-	-
Licenses and permits	-	-	-	-
Services	-	-	-	-
Miscellaneous	-	-	-	-
Transfers in	172,697	164,686	164,686	-
Total revenue inflows	<u>10,923,800</u>	<u>10,677,315</u>	<u>10,677,315</u>	<u>-</u>
Amounts available for appropriation	<u>11,907,699</u>	<u>11,661,214</u>	<u>11,661,214</u>	<u>-</u>
Charges to appropriations (outflows):				
Legislative Branch	-	-	-	-
Judicial Branch	-	-	-	-
Executive Branch:				
Agriculture	-	-	-	-
Attorney General	-	-	-	-
Career Development	-	-	-	-
Civil Rights	-	-	-	-
Civil Service	-	-	-	-
Colleges and Universities Grants	-	-	-	-
Community Health	-	-	-	-
Consumer and Industry Services	-	-	-	-
Corrections	-	-	-	-
Education	11,052,915	11,011,494	10,959,167	52,327
Environmental Quality	-	-	-	-
Executive Office	-	-	-	-
Family Independence Agency	-	-	-	-
Management and Budget	-	-	-	-
Military and Veterans Affairs	-	-	-	-
Natural Resources	-	-	-	-
State	-	-	-	-
State Police	-	-	-	-
Transportation	-	-	-	-
Treasury	-	-	-	-
Intrafund expenditure reimbursements	-	-	-	-
Total charges to appropriations	<u>11,052,915</u>	<u>11,011,494</u>	<u>10,959,167</u>	<u>52,327</u>
Reconciling Items:				
Encumbrances at September 30	-	334	334	-
Change in noncurrent assets:	-	480	480	-
Net Reconciling Items	-	814	814	-
Ending budgetary fund balance	<u>\$ 854,784</u>	<u>\$ 650,533</u>	<u>\$ 702,861</u>	<u>\$ 52,327</u>

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
 SEPTEMBER 30, 2001
 (In Thousands)

	GENERAL FUND	COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	SCHOOL AID FUND
Sources/inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 23,799,101	\$ 1,331,170	\$ 11,661,214
Differences - budget to GAAP:			
Budgetary fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(1,739,887)	(1,264,434)	(983,899)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(627,049)	-	(1,004,237)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	<u>\$ 21,432,165</u>	<u>\$ 66,736</u>	<u>\$ 9,673,078</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$ 22,389,647	\$ 336,983	\$ 10,959,167
Differences - budget to GAAP:			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	(137,626)	-	(334)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(736,981)	(336,983)	(2,889)
Capital lease acquisitions are not outflows of budgetary resources but are recorded as current expenditures and other financing sources under GAAP.	23,014	-	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	<u>\$ 21,538,055</u>	<u>\$ -</u>	<u>\$ 10,955,944</u>

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

Statutory/Budgetary Presentation

The various funds and programs within funds utilize a number of different budgetary control processes. Annual legislative appropriations and revenue estimates are provided for most “operating” funds. (Note 2 of the basic financial statements identifies the annually budgeted operating funds.)

The original executive budget and original legislative appropriations provide general purpose (unrestricted) revenue estimates in order to demonstrate compliance with constitutional provisions. Revenues restricted by law or outside grantors to a specific program are estimated at a level of detail consistent with controlling related expenditure accounts.

For programs financed from restricted revenues, spending authorization is generally contingent upon recognition of the related revenue. Reductions of spending authority occur if revenues fall short of estimates. If revenues exceed the estimate, supplemental appropriations are required before the additional resources can be spent.

The budgetary comparison schedule presented for the General Fund, the Budget Stabilization Fund, and the School Aid Fund presents both the original and final appropriated budgets for fiscal year 2000-2001, as well as the actual resource inflows, outflows and fund balance stated on the budgetary basis. The supplementary portion of this report includes a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, by fund type, for non-major special revenue and permanent funds with annual budgets. Those schedules only include the final appropriated budget.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of October 1, 2000, and includes encumbrance and multi-year projects budgetary carry-forwards from the prior fiscal year.

The budgetary fund balance represents total fund balance, net of reserves for noncurrent assets. Reserves for noncurrent assets do not represent current financial resources available for appropriation and are removed for budgetary purposes.

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the “final budget” column, therefore updated revenue estimates available for appropriations as of November 30, rather than the amounts shown in the original budget, are reported. The November 30 date is used because P.A. 431 of 1984, as amended, permits budget adjustments by the Legislature through 60 days after year-end.

The final appropriations budget represents original and supplemental appropriations, carry-forwards, carry-backs (i.e., current year appropriations for prior year overdrafts), approved transfers, executive order reductions, and timing differences. Expenditures, transfers out, other financing uses, and encumbrances are combined and classified by department rather than being reported by character and function as shown in the GAAP statements. This departmental classification is used to better reflect organizational responsibility and to be more consistent with the budget process. Appropriations include interagency expenditure reimbursement, in which one agency provides funding to another agency within the same fund. The final budget and actual amounts are adjusted to eliminate the duplication.

The timing differences result from unspent authorizations for multi-year projects, such as capital outlay and work projects, and from restricted revenues that had not been appropriated for expenditure in the current year. Such authorization balances remaining at year-end are removed from the final budget column to provide an “annualized” budget.

Positive “variances” reflect restricted revenues that were appropriated and available for expenditure in the current year and unused general purpose spending authority (lapses); negative “variances” reflect budgetary overdrafts. If both positive and negative variances exist for a particular line, the amount shown is the net variance.

Statutory/Budgetary Reconciliation

The statutory/budgetary basis presentation differs from GAAP in ways that do not affect ending fund balance.

For budgetary reporting purposes, expenditures and transfers out in the “Actual” column include recorded encumbrances, because they are considered uses of spending authority in the year the State incurs an obligation. The “Original” and “Final Budget” columns include encumbrance authorization balances carried over from the prior fiscal year, because they provided spending authority in the current year. In the GAAP basis statements, expenditures do not include encumbrances. The effect of this difference is reflected as a reconciling item on the Budgetary Comparison Schedule for the major funds and the Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the non-major special revenue funds and permanent funds. The encumbrance of spending authority is recorded as a reservation of fund balance under both bases of accounting.

For budgetary purposes, capitalizable lease expenditures are recognized when payments are due, rather than upon lease inception as required by GAAP. This difference does not affect fund balance because the “other financing sources” recorded under GAAP at lease inception are not recorded on the statutory/budgetary basis.

Required Supplementary Information

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 27,300 lane miles of roads and approximately 5,700 bridges that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Roads

Measurement Scale

The Michigan Department of Transportation (MDOT) uses numerous methods to determine the condition of roadway pavements; however, the Sufficiency Rating serves as the State's primary method to measure and monitor pavement conditions. In use since 1961, the Sufficiency Rating is a visual analysis conducted by an engineer and includes a 5-point scale, as follows:

Rating	Bituminous Surface	Concrete Surface
1.0 = Excellent	Pavement shows no visible deterioration. Distresses are non-existent.	Same
2.0 = Good	Some indication of initial deterioration, but not yet requiring appreciable amounts of maintenance. Distress items include the start of small transverse and/or longitudinal cracks. Slight rutting may be apparent in the wheel path.	Some indication of initial deterioration, but not yet requiring appreciable amounts of maintenance. Distress items may include the start of small transverse and/or longitudinal cracks, or slight seam and joint separation. Joints may show very small amounts of deterioration.
3.0 = Fair	Average deterioration requiring occasional routine maintenance. Distresses may include minor transverse and longitudinal cracking becoming continuous throughout the segment. Severe cracking is patched effectively. Rutting may be a little more severe and hold small amounts of water.	Average deterioration requiring occasional routine maintenance. Distresses may include minor transverse and longitudinal cracking becoming continuous throughout the segment. Severe cracking is patched effectively. Through lanes and shoulders may begin to show separation from failing tie bars.
4.0 = Poor	Excessive deterioration requiring frequent maintenance and warrants resurfacing soon. Distress may be evident in wide transverse and longitudinal cracks. Severe "shallow cracking" could be evident if the pavement is composite. If the segment has been patched, the cracks may be showing through. Rutting is severe and may effect driving.	Excessive deterioration requiring frequent maintenance and warrants resurfacing soon. Distress may be evident in wide transverse and longitudinal cracks. If the segment has been patched, cracks may be showing through. Joint repairs could begin to fail. Shoulder and/or through-lane separation may be apparent. Popouts or spalling could also be present in the section.
5.0 = Very Poor /Failed	Extreme deterioration requiring continuous maintenance and warrants resurfacing or total cross-section replacement. Distress items may include severe transverse and longitudinal cracking or severe alligator cracking. Shadow cracking in composite pavement is wider than 1". Rutting in wheel path may be severe and patching is no longer beneficial to pavement condition.	Extreme deterioration requiring continuous maintenance and warrants resurfacing or total cross-section replacement. Distress items may include severe transverse and longitudinal cracking, joints are failed, and the patching is no longer beneficial to pavement condition. Spalling and edge cracking could also be severe.

Established Condition Level

No more than 30% of the pavements shall be rated as "poor" or "very poor."

Assessed Conditions

The State assesses condition on a calendar year basis. The following table reports the percentage of pavements meeting ratings of "Good" or "Poor", for the past five years. "Good" represents ratings of 1.0 through 3.0 above and "Poor" represents ratings of 4.0 and 5.0.

Rating	2000	1999	1998	1997	1996
Good	78%	75%	73%	69%	64%
Poor	22%	25%	27%	31%	36%

Michigan

Bridges

Measurement Scale

MDOT utilizes the National Bridge Inventory to monitor the condition of the 5,679 bridges under its jurisdiction. The Inventory rates bridges, including the deck, superstructure and substructure, using a 10-point scale:

Rating	Description
9	Excellent (no specific definition)
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound but may have minor section loss, cracking, spalling or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration or primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored it may be necessary to close the bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service; beyond corrective action.

Established Condition Level

No more than 35% of the bridges shall be rated as "structurally deficient."

Assessed Conditions

"Structurally deficient" results when a condition of 4 or worse is assessed to at least one of the major structural elements (e.g. the deck, superstructure, or substructure). The following table reports the percentage of bridges whose condition was assessed as "structurally deficient", in the stated year:

Calendar Year	Structurally Deficient
2000	22.5%
1999	18.9%
1998	19.2%
1997	16.7%
1996	17.4%

Budgeted and Estimated Costs to Maintain

The following table presents the State's estimate of spending necessary to preserve and maintain the roads and bridges at, or above, the "Established Condition Levels" cited above, and the actual amount spent during the past five fiscal years (in millions):

Fiscal Year	Estimated Spending	Actual Spending
2001-2002	\$993.3	-
2000-2001	\$984.3	\$915.2
1999-2000	\$817.4	\$895.3
1998-1999	\$831.8	\$822.0
1997-1998	\$688.1	\$693.5
1996-1997	\$634.0	\$630.4

The budgeting process utilized by the Department of Transportation results in spending in one fiscal year from amounts that were budgeted in a previous year(s). Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given year. The table demonstrates that over the past five years, the State spending has been in line with the budgeted amounts and the other tables contained within this narrative demonstrate that the State has met its desired condition levels.

BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
 SEPTEMBER 30, 2001
 (In Thousands)

	<u>TOTALS</u>				
	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>PERMANENT FUNDS</u>	<u>SEPTEMBER 30, 2001</u>
ASSETS					
Current Assets:					
Cash	\$ 716	\$ 4,611	\$ -	\$ -	\$ 5,327
Equity in common cash	1,934,673	5,786	2,265	77,259	2,019,983
Taxes, interest, and penalties receivable	120,856	-	-	-	120,856
Amounts due from other funds	65,374	102	126,685	-	192,161
Amounts due from component units	1,318	-	14,381	-	15,699
Amounts due from federal agencies	201,180	-	2,353	-	203,533
Amounts due from local units	40,578	-	11,957	114	52,649
Inventories	8,155	-	-	-	8,155
Investments	-	265,316	30,995	-	296,311
Other current assets	110,011	833	6,793	13,202	130,838
Total Current Assets	<u>2,482,860</u>	<u>276,648</u>	<u>195,430</u>	<u>90,575</u>	<u>3,045,512</u>
Taxes, interest, and penalties receivable	6,347	-	-	-	6,347
Advances to other funds	26,442	-	-	-	26,442
Amounts due from local units	44,767	-	-	-	44,767
Investments	83,212	48,099	-	392,009	523,320
Other noncurrent assets	8,693	-	-	-	8,693
Total Assets	<u>\$ 2,652,321</u>	<u>\$ 324,747</u>	<u>\$ 195,430</u>	<u>\$ 482,583</u>	<u>\$ 3,655,081</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	\$ 18,555	\$ -	\$ 4,268	\$ 939	\$ 23,762
Accounts payable and other liabilities	670,220	4,700	162,982	9,812	847,715
Amounts due to other funds	74,410	1,326	300,166	13	375,916
Amounts due to component units	-	-	-	159	159
Interest payable	-	-	478	-	478
Deferred revenue	126,342	-	-	-	126,342
Total Current Liabilities	<u>889,527</u>	<u>6,027</u>	<u>467,895</u>	<u>10,923</u>	<u>1,374,371</u>
Long-Term Liabilities:					
Advances from other funds	26,442	-	-	-	26,442
Deferred revenue	25,169	-	-	-	25,169
Total Liabilities	<u>941,138</u>	<u>6,027</u>	<u>467,895</u>	<u>10,923</u>	<u>1,425,982</u>
Fund Balances:					
Reserved fund balance	938,133	-	15,494	430,579	1,384,205
Unreserved fund balance (deficit)	773,050	318,721	(287,958)	41,082	844,894
Total Fund Balances	<u>1,711,183</u>	<u>318,721</u>	<u>(272,464)</u>	<u>471,660</u>	<u>2,229,100</u>
Total Liabilities and Fund Balances	<u>\$ 2,652,321</u>	<u>\$ 324,747</u>	<u>\$ 195,430</u>	<u>\$ 482,583</u>	<u>\$ 3,655,081</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

					TOTALS
	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	PERMANENT FUNDS	SEPTEMBER 30, 2001
REVENUES					
Taxes	\$ 1,984,890	\$ -	\$ -	\$ -	\$ 1,984,890
From federal agencies	1,106,963	-	5,763	781	1,113,507
From local agencies	121,320	-	-	-	121,320
From services	700	-	-	-	700
From licenses and permits	171,923	-	-	-	171,923
Miscellaneous	585,254	20,764	10,426	99,158	715,601
Total Revenues	3,971,050	20,764	16,189	99,940	4,107,942
EXPENDITURES					
Current:					
General government	144,302	1,054	6,404	-	151,760
Education	88,408	2,244	198,569	-	289,222
Family independence services	-	-	-	2,590	2,590
Public safety and corrections	24	-	-	3,866	3,890
Conservation, environment, recreation, and agriculture	255,157	-	-	18,576	273,733
Labor, commerce, and regulatory	196,905	-	-	-	196,905
Health services	47,268	-	-	-	47,268
Transportation	2,058,191	293	-	-	2,058,484
Capital outlay	1,199,012	-	245,361	19,626	1,463,998
Debt service:					
Bond principal retirement	-	219,552	-	-	219,552
Bond interest and fiscal charges	2,219	199,761	-	-	201,980
Capital lease payments	1,057	-	-	-	1,057
Total Expenditures	3,992,543	422,905	450,334	44,658	4,910,440
Excess of Revenues over (under) Expenditures	(21,493)	(402,141)	(434,145)	55,282	(802,498)
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	849,999	-	373,550	-	1,223,549
Premium on bond issuance	4,203	27,716	12,454	-	44,373
Refunding bonds issued	37	630,775	-	-	630,812
Payment to refunded bond escrow agent	-	(698,723)	-	-	(698,723)
Extinguishment of commercial paper	-	-	(40,680)	-	(40,680)
Transfers from other funds	1,052,798	473,555	18,224	10,053	1,554,629
Transfers to other funds	(1,272,299)	(4,283)	(47,635)	(10,121)	(1,334,338)
Total Other Financing Sources (Uses)	634,739	429,039	315,913	(69)	1,379,623
Excess of Revenues and Other Sources over (under) Expenditures Other Uses	613,246	26,898	(118,232)	55,213	577,125
Fund Balances - Beginning of fiscal year - restated	1,097,937	291,822	(154,232)	416,447	1,651,975
Fund Balances - End of fiscal year	\$ 1,711,183	\$ 318,721	\$ (272,464)	\$ 471,660	\$ 2,229,100

BALANCE SHEET
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
 SEPTEMBER 30, 2001
 (In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED
ASSETS			
Current Assets:			
Cash	\$ 394	\$ 319	\$ 3
Equity in common cash	1,181,848	348,746	78,052
Taxes, interest, and penalties receivable	114,943	5,913	-
Amounts due from other funds	64,374	1,000	-
Amounts due from component units	1,318	-	-
Amounts due from federal agencies	188,973	928	11,279
Amounts due from local units	39,285	1,286	-
Inventories	8,079	76	-
Other current assets	11,576	11,729	1,333
Total Current Assets	<u>1,610,791</u>	<u>369,997</u>	<u>90,666</u>
Taxes, interest, and penalties receivable	6,347	-	-
Advances to other funds	26,442	-	-
Amounts due from local units	40,301	4,467	-
Investments	-	83,212	-
Other noncurrent assets	6,870	674	-
Total Assets	<u>\$ 1,690,750</u>	<u>\$ 458,349</u>	<u>\$ 90,666</u>
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	\$ 12,982	\$ 2,618	\$ 2,317
Accounts payable and other liabilities	468,968	75,976	16,001
Amounts due to other funds	66,299	6,632	1,478
Deferred revenue	28,212	1,330	11,464
Total Current Liabilities	<u>576,461</u>	<u>86,556</u>	<u>31,260</u>
Long-Term Liabilities:			
Advances from other funds	26,442	-	-
Deferred revenue	24,486	674	-
Total Liabilities	<u>627,389</u>	<u>87,230</u>	<u>31,260</u>
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Encumbrances	70,267	18,464	174
Restricted revenues	216,691	131,705	9,766
Multi-year projects	136,990	82,211	645
Construction and debt service	35,902	-	-
Revolving loan programs	38,146	5,456	-
Funds held as permanent investments	-	109,483	-
Noncurrent assets	25,985	-	-
Total Reserved	<u>523,982</u>	<u>347,318</u>	<u>10,585</u>
Unreserved	<u>539,379</u>	<u>23,801</u>	<u>48,821</u>
Total Fund Balances	<u>1,063,361</u>	<u>371,119</u>	<u>59,407</u>
Total Liabilities and Fund Balances	<u>\$ 1,690,750</u>	<u>\$ 458,349</u>	<u>\$ 90,666</u>

BALANCE SHEET
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
 SEPTEMBER 30, 2001
 (In Thousands)

	OTHER STATE FUNDS	TOTALS SEPTEMBER 30, 2001
ASSETS		
Current Assets:		
Cash	\$ -	\$ 716
Equity in common cash	326,026	1,934,673
Taxes, interest, and penalties receivable	-	120,856
Amounts due from other funds	-	65,374
Amounts due from component units	-	1,318
Amounts due from federal agencies	-	201,180
Amounts due from local units	6	40,578
Inventories	-	8,155
Other current assets	85,373	110,011
Total Current Assets	411,406	2,482,860
Taxes, interest, and penalties receivable	-	6,347
Advances to other funds	-	26,442
Amounts due from local units	-	44,767
Investments	-	83,212
Other noncurrent assets	1,150	8,693
Total Assets	\$ 412,556	\$ 2,652,321
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Warrants outstanding	\$ 638	\$ 18,555
Accounts payable and other liabilities	109,276	670,220
Amounts due to other funds	1	74,410
Deferred revenue	85,336	126,342
Total Current Liabilities	195,251	889,527
Long-Term Liabilities:		
Advances from other funds	-	26,442
Deferred revenue	9	25,169
Total Liabilities	195,260	941,138
Fund Balances:		
Reserves for:		
Budgetary carry-forwards:		
Encumbrances	23,356	112,261
Restricted revenues	-	358,162
Multi-year projects	31,741	251,587
Construction and debt service	-	35,902
Revolving loan programs	-	43,602
Funds held as permanent investment	-	109,483
Noncurrent assets	1,150	27,136
Total Reserved	56,248	938,133
Unreserved	161,049	773,050
Total Fund Balances	217,297	1,711,183
Total Liabilities and Fund Balances	\$ 412,556	\$ 2,652,321

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION, ENVIRONMENT, AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED	OTHER STATE FUNDS	TOTALS SEPTEMBER 30, 2001
REVENUES					
Taxes	\$ 1,925,948	\$ 58,942	\$ -	\$ -	\$ 1,984,890
From federal agencies	988,275	3,150	115,538	-	1,106,963
From local agencies	121,320	-	-	-	121,320
From services	697	-	4	-	700
From licenses and permits	74,141	86,159	11,623	-	171,923
Miscellaneous	67,722	98,285	77,520	341,726	585,254
Total Revenues	3,178,102	246,537	204,684	341,726	3,971,050
EXPENDITURES					
Current:					
General government	-	477	13,185	130,639	144,302
Education	-	-	-	88,408	88,408
Public safety and corrections	-	-	-	24	24
Conservation, environment, recreation, and agriculture	-	255,157	-	-	255,157
Labor, commerce, and regulatory	-	-	171,904	25,001	196,905
Health services	-	1,391	-	45,876	47,268
Transportation	2,058,191	-	-	-	2,058,191
Capital outlay	1,190,103	8,909	-	-	1,199,012
Debt service:					
Bond interest and fiscal charges	-	-	-	2,219	2,219
Capital lease payments	463	-	594	-	1,057
Total Expenditures	3,248,757	265,934	185,684	292,167	3,992,543
Excess of Revenues over (under) Expenditures	(70,655)	(19,397)	19,001	49,559	(21,493)
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	708,200	60,499	-	81,300	849,999
Premium on bond issuance	3,901	-	-	301	4,203
Refunding bonds issued	-	-	-	37	37
Transfers from other funds	994,582	47,408	10,808	-	1,052,798
Transfers to other funds	(1,091,740)	(90,532)	(4,216)	(85,810)	(1,272,299)
Total Other Financing Sources (Uses)	614,943	17,376	6,591	(4,172)	634,739
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	544,288	(2,022)	25,592	45,387	613,246
Fund Balances - Beginning of fiscal year - restated	519,072	373,141	33,815	171,909	1,097,937
Fund Balances - End of fiscal year	\$ 1,063,361	\$ 371,119	\$ 59,407	\$ 217,297	\$ 1,711,183

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)**

<u>Statutory/Budgetary Basis</u>	TRANSPORTATION RELATED			CONSERVATION, ENVIRONMENT, AND RECREATION RELATED		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Taxes	\$ 1,925,948	\$ 1,925,948	\$ -	\$ 447	\$ 447	\$ -
From federal agencies	773,730	773,730	-	3,150	3,150	-
From local agencies	57,711	57,711	-	-	-	-
From services	697	697	-	-	-	-
From licenses and permits	74,141	74,141	-	86,159	86,159	-
Miscellaneous	62,497	62,497	-	30,795	30,795	-
Transfers in	988,252	988,252	-	26,806	26,806	-
Total Revenues and Other Sources	3,882,976	3,882,976	-	147,358	147,358	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Career Development	-	-	-	-	-	-
Colleges and Universities Grants	-	-	-	-	-	-
Community Health	-	-	-	-	-	-
Consumer and Industry Services	-	-	-	-	-	-
Management and Budget	-	-	-	-	-	-
Natural Resources	-	-	-	177,584	160,844	16,740
Transportation	4,071,008	3,904,012	166,996	-	-	-
Treasury	-	-	-	-	-	-
Total Expenditures, Transfers Out, and Encumbrances	4,071,008	3,904,012	166,996	177,584	160,844	16,740
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ (188,032)	(21,036)	\$ 166,996	\$ (30,225)	(13,485)	\$ 16,740
Reconciling Items:						
Encumbrances at September 30		70,267			14,138	
Funds not annually budgeted		495,057			(2,674)	
Net Reconciling Items		565,325			11,464	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		544,288			(2,022)	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated		519,072			373,141	
Ending balances (GAAP Basis)		\$ 1,063,361			\$ 371,119	

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)**

<u>Statutory/Budgetary Basis</u>	REGULATORY AND ADMINISTRATIVE RELATED			OTHER STATE FUNDS		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From federal agencies	115,538	115,538	-	-	-	-
From local agencies	-	-	-	-	-	-
From services	4	4	-	-	-	-
From licenses and permits	11,623	11,623	-	-	-	-
Miscellaneous	35,167	35,167	-	280,737	280,737	-
Transfers in	10,303	10,303	-	-	-	-
Total Revenues and Other Sources	172,634	172,634	-	280,737	280,737	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Career Development	-	-	-	34,213	34,213	-
Colleges and Universities Grants	-	-	-	127,853	88,408	39,445
Community Health	-	-	-	94,289	59,916	34,373
Consumer and Industry Services	144,513	143,503	1,010	-	-	-
Management and Budget	-	-	-	50,000	50,000	-
Natural Resources	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Treasury	16,894	14,965	1,929	49,866	40,310	9,556
Total Expenditures, Transfers Out, and Encumbrances	161,406	158,467	2,939	356,221	272,848	83,373
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ 11,228	14,167	\$ 2,939	\$ (75,484)	7,889	\$ 83,373
Reconciling Items:						
Encumbrances at September 30		174			23,356	
Funds not annually budgeted		11,251			14,142	
Net Reconciling Items		11,425			37,498	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		25,592			45,387	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated		33,815			171,909	
Ending balances (GAAP Basis)		\$ 59,407			\$ 217,297	

Michigan

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - BY CLASSIFICATION FISCAL YEAR ENDED SEPTEMBER 30, 2001 (In Thousands)

<u>Statutory/Budgetary Basis</u>	<u>TOTALS</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES AND OTHER SOURCES			
Taxes	\$ 1,926,395	\$ 1,926,395	\$ -
From federal agencies	892,418	892,418	-
From local agencies	57,711	57,711	-
From services	700	700	-
From licenses and permits	171,923	171,923	-
Miscellaneous	409,196	409,196	-
Transfers in	1,025,361	1,025,361	-
Total Revenues and Other Sources	<u>4,483,705</u>	<u>4,483,705</u>	<u>-</u>
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Career Development	34,213	34,213	-
Colleges and Universities Grants	127,853	88,408	39,445
Community Health	94,289	59,916	34,373
Consumer and Industry Services	144,513	143,503	1,010
Management and Budget	50,000	50,000	-
Natural Resources	177,584	160,844	16,740
Transportation	4,071,008	3,904,012	166,996
Treasury	66,760	55,275	11,485
Total Expenditures, Transfers Out, and Encumbrances	<u>4,766,218</u>	<u>4,496,171</u>	<u>270,047</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (282,513)</u>	<u>(12,466)</u>	<u>\$ 270,047</u>
Reconciling Items:			
Encumbrances at September 30		107,935	
Funds not annually budgeted		<u>517,777</u>	
Net Reconciling Items		<u>625,712</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>613,246</u>	
FUND BALANCES (GAAP BASIS)			
Beginning balances - restated		<u>1,097,937</u>	
Ending balances (GAAP Basis)		<u>\$ 1,711,183</u>	

SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED

STATE AERONAUTICS FUND

Established pursuant to P.A. 327 of 1945, as amended, this fund accounts for airport improvement projects. Financing consists primarily of aviation fuel taxes and federal and local contributions. Although subject to change in the future, annual appropriation acts have allowed any unobligated and unexpended balance at fiscal year-end to lapse and revert to the fund for appropriation in the following year.

STATE TRUNKLINE FUND

Established pursuant to Section 11 of P.A. 51 of 1951, as amended, this fund accounts for highway construction and maintenance. Its annual budget is subject to legislative review and appropriation, but the Transportation Commission has significant discretion in determining the funding of individual projects. Financing consists primarily of federal aid, local participation, and transfers from the Michigan Transportation Fund. Expenditures and transfers are for administration, highway maintenance and construction, debt service, and various contractual obligations. Although subject to change in the future, annual appropriation acts have allowed for any fund balance not otherwise reserved at fiscal year-end to be reserved for road and bridge construction.

This fund also is used to record loans made to local units of government for reconstructing and resurfacing roadways. Activities of the Blue Water Bridge program, segregated as a separate fund within the accounting system, are also reported within the State Trunkline Fund. A portion of the receivables and payables between the State Trunkline Fund and the Blue Water Bridge Fund are classified as current and are presented as "Amounts due from other funds" and "Amounts due to other funds". The remainder is classified as long-term "Advances from other funds" and "Advances to other funds" because repayment will not occur within the next 12 months.

MICHIGAN TRANSPORTATION FUND

Established pursuant to Section 10 of P.A. 51 of 1951, as amended, this fund accounts for the receipt and distribution of several tax revenues dedicated for highway purposes. Transfers are made to the General Fund, State Trunkline Fund, and the Comprehensive Transportation Fund. Expenditures include grants to counties, cities, and villages for highway purposes.

COMPREHENSIVE TRANSPORTATION FUND

This fund operates under Section 10(b) of P.A. 51 of 1951, as amended, and accounts for the planning and development of public transportation systems within the State. Federal and local revenues, vehicle-related sales tax, and transfers from the Michigan Transportation Fund provide financing for expenditures. In accordance with statutory provisions, any unencumbered balance at fiscal year-end lapses and reverts to the fund for appropriation in the following year.

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND

Established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, this fund accounts for the proceeds of State trunkline revenue dedicated bonds. These bonds are used in part to finance the costs of road and bridge construction.

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND

Established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, this fund accounts for the proceeds of comprehensive transportation revenue dedicated bonds. These bonds are used to finance part of the construction and acquisition of comprehensive transportation projects.

TRANSPORTATION RELATED TRUST FUNDS

The transportation related trust funds reflects the activities of five sub-funds: the Special Federal Bridge Replacement Fund, the Federal County Road Fund, the Federal Urban Transportation System Fund, the Highway Topics and Safety Program Fund, and the Metropolitan Planning Fund. The Michigan Department of Transportation is recognized as the legal representative of the State, including all governmental subdivisions, in the administration of these programs. The financing accounted for in these funds consists primarily of local and federal matching funds with very little State funds. Financing provided prior to expenditures being incurred is recorded as deferred revenue and revenue is recognized as expenditures are made. As a result, the fund balances of these funds are usually zero.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
 SEPTEMBER 30, 2001
 (In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND
ASSETS				
Current Assets:				
Cash	\$ 5	\$ 326	\$ -	\$ 1
Equity in common cash	11,082	397,287	181,976	69,653
Taxes, interest, and penalties receivable	535	-	114,409	-
Amounts due from other funds	-	47,544	-	12,090
Amounts due from component units	-	1,318	-	-
Amounts due from federal agencies	21,797	99,224	-	12,754
Amounts due from local units	3,751	20,754	-	344
Inventories	-	8,079	-	-
Other current assets	40	6,465	4,614	133
Total Current Assets	<u>37,211</u>	<u>580,997</u>	<u>300,999</u>	<u>94,975</u>
Taxes, interest, and penalties receivable	-	-	6,347	-
Advances to other funds	-	26,442	-	-
Amounts due from local units	974	37,173	-	2,154
Other noncurrent assets	-	3,935	-	2,935
Total Assets	<u>\$ 38,184</u>	<u>\$ 648,547</u>	<u>\$ 307,345</u>	<u>\$ 100,064</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	\$ 891	\$ 6,790	\$ 1,430	\$ 876
Accounts payable and other liabilities	14,274	143,165	232,969	22,011
Amounts due to other funds	26	6,330	54,634	41
Deferred revenue	5,092	3,621	11,966	-
Total Current Liabilities	<u>20,283</u>	<u>159,907</u>	<u>300,999</u>	<u>22,927</u>
Long-Term Liabilities:				
Advances from other funds	-	26,442	-	-
Deferred revenue	-	15,205	6,347	2,935
Total Liabilities	<u>20,283</u>	<u>201,553</u>	<u>307,345</u>	<u>25,862</u>
Fund Balances:				
Reserves for:				
Budgetary carry-forwards:				
Encumbrances	2,940	28,948	-	38,379
Restricted revenues	154	209,164	-	7,373
Multi-year projects	11,742	125,248	-	-
Construction and debt service	-	35,902	-	-
Revolving loan programs	2,200	21,746	-	14,200
Noncurrent assets	-	25,985	-	-
Total Reserved	<u>17,036</u>	<u>446,993</u>	<u>-</u>	<u>59,952</u>
Unreserved	<u>865</u>	<u>-</u>	<u>-</u>	<u>14,250</u>
Total Fund Balances	<u>17,901</u>	<u>446,993</u>	<u>-</u>	<u>74,202</u>
Total Liabilities and Fund Balances	<u>\$ 38,184</u>	<u>\$ 648,547</u>	<u>\$ 307,345</u>	<u>\$ 100,064</u>

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
SEPTEMBER 30, 2001
(In Thousands)

	COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TRANSPORTATION RELATED TRUST FUNDS	TOTALS SEPTEMBER 30, 2001
ASSETS				
Current Assets:				
Cash	\$ -	\$ -	\$ 62	\$ 394
Equity in common cash	514,108	7,742	-	1,181,848
Taxes, interest, and penalties receivable	-	-	-	114,943
Amounts due from other funds	4,740	-	-	64,374
Amounts due from component units	-	-	-	1,318
Amounts due from federal agencies	23,078	-	32,119	188,973
Amounts due from local units	1,874	-	12,562	39,285
Inventories	-	-	-	8,079
Other current assets	4	-	319	11,576
Total Current Assets	543,805	7,742	45,062	1,610,791
Taxes, interest, and penalties receivable	-	-	-	6,347
Advances to other funds	-	-	-	26,442
Amounts due from local units	-	-	-	40,301
Other noncurrent assets	-	-	-	6,870
Total Assets	\$ 543,805	\$ 7,742	\$ 45,062	\$ 1,690,750
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	\$ 1,499	\$ 2	\$ 1,494	\$ 12,982
Accounts payable and other liabilities	24,200	612	31,735	468,968
Amounts due to other funds	-	-	5,268	66,299
Deferred revenue	969	-	6,565	28,212
Total Current Liabilities	26,669	614	45,062	576,461
Long-Term Liabilities:				
Advances from other funds	-	-	-	26,442
Deferred revenue	-	-	-	24,486
Total Liabilities	26,669	614	45,062	627,389
Fund Balances:				
Reserves for:				
Budgetary carry-forwards:				
Encumbrances	-	-	-	70,267
Restricted revenues	-	-	-	216,691
Multi-year projects	-	-	-	136,990
Construction and debt service	-	-	-	35,902
Revolving loan programs	-	-	-	38,146
Noncurrent assets	-	-	-	25,985
Total Reserved	-	-	-	523,982
Unreserved	517,136	7,128	-	539,379
Total Fund Balances	517,136	7,128	-	1,063,361
Total Liabilities and Fund Balances	\$ 543,805	\$ 7,742	\$ 45,062	\$ 1,690,750

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
 FISCAL YEAR ENDED SEPTEMBER 30, 2001
 (In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND
REVENUES				
Taxes	\$ 6,706	\$ -	\$ 1,845,514	\$ 73,728
From federal agencies	86,647	655,096	-	31,987
From local agencies	21,440	36,205	-	65
From services	697	-	-	-
From licenses and permits	314	18,898	54,671	258
Miscellaneous	847	45,967	11,366	4,317
Total Revenues	<u>116,651</u>	<u>756,167</u>	<u>1,911,550</u>	<u>110,356</u>
EXPENDITURES				
Current:				
Transportation	131,634	504,645	914,782	257,340
Capital outlay	-	938,164	-	-
Debt service:				
Capital lease payments	-	463	-	-
Total Expenditures	<u>131,634</u>	<u>1,443,272</u>	<u>914,782</u>	<u>257,340</u>
Excess of Revenues over (under) Expenditures	<u>(14,984)</u>	<u>(687,105)</u>	<u>996,768</u>	<u>(146,984)</u>
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	-	-	-
Premium on bond issuance	-	-	-	-
Transfers from other funds	17,160	808,802	1,990	160,300
Transfers to other funds	(265)	(63,913)	(998,758)	(23,781)
Total Other Financing Sources (Uses)	<u>16,895</u>	<u>744,889</u>	<u>(996,768)</u>	<u>136,519</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>1,912</u>	<u>57,784</u>	<u>-</u>	<u>(10,465)</u>
Fund Balances - Beginning of fiscal year - restated	<u>15,990</u>	<u>389,209</u>	<u>-</u>	<u>84,667</u>
Fund Balances - End of fiscal year	<u>\$ 17,901</u>	<u>\$ 446,993</u>	<u>\$ -</u>	<u>\$ 74,202</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED TRANSPORTATION BOND PROCEEDS FUND	TRANSPORTATION RELATED TRUST FUNDS	TOTALS SEPTEMBER 30, 2001
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 1,925,948
From federal agencies	31,312	-	183,232	988,275
From local agencies	8,516	-	55,093	121,320
From services	-	-	-	697
From licenses and permits	-	-	-	74,141
Miscellaneous	4,615	609	-	67,722
Total Revenues	44,444	609	238,325	3,178,102
EXPENDITURES				
Current:				
Transportation	-	5,173	244,617	2,058,191
Capital outlay	251,939	-	-	1,190,103
Debt service:				
Capital lease payments	-	-	-	463
Total Expenditures	251,939	5,173	244,617	3,248,757
Excess of Revenues over (under) Expenditures	(207,496)	(4,563)	(6,291)	(70,655)
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	708,200	-	-	708,200
Premium on bond issuance	3,901	-	-	3,901
Transfers from other funds	31	-	6,300	994,582
Transfers to other funds	(5,013)	(3)	(8)	(1,091,740)
Total Other Financing Sources (Uses)	707,119	(3)	6,291	614,943
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	499,624	(4,566)	-	544,288
Fund Balances - Beginning of fiscal year - restated	17,512	11,694	-	519,072
Fund Balances - End of fiscal year	\$ 517,136	\$ 7,128	\$ -	\$ 1,063,361

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

<u>Statutory/Budgetary Basis</u>	<u>STATE AERONAUTICS FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES AND OTHER SOURCES			
Taxes	\$ 6,706	\$ 6,706	\$ -
From federal agencies	86,647	86,647	-
From local agencies	21,440	21,440	-
From services	697	697	-
From licenses and permits	314	314	-
Miscellaneous	847	847	-
Transfers in	17,160	17,160	-
Total Revenues and Other Sources	133,811	133,811	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Transportation	136,847	134,839	2,008
Total Expenditures, Transfers Out, and Encumbrances	136,847	134,839	2,008
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (3,037)</u>	<u>(1,029)</u>	<u>\$ 2,008</u>
Reconciling Items:			
Encumbrances at September 30		2,940	
Funds not annually budgeted		-	
Net Reconciling Items		2,940	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		1,912	
FUND BALANCES (GAAP BASIS)			
Beginning balances - restated		15,990	
Ending balances (GAAP Basis)		<u>\$ 17,901</u>	

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

Statutory/Budgetary Basis	STATE TRUNKLINE FUND			MICHIGAN TRANSPORTATION FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
Taxes	\$ -	\$ -	\$ -	\$ 1,845,514	\$ 1,845,514	\$ -
From federal agencies	655,096	655,096	-	-	-	-
From local agencies	36,205	36,205	-	-	-	-
From services	-	-	-	-	-	-
From licenses and permits	18,898	18,898	-	54,671	54,671	-
Miscellaneous	45,967	45,967	-	11,366	11,366	-
Transfers in	808,802	808,802	-	1,990	1,990	-
Total Revenues and Other Sources	1,564,969	1,564,969	-	1,913,540	1,913,540	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Transportation	1,664,046	1,536,133	127,913	1,935,747	1,913,540	22,207
Total Expenditures, Transfers Out, and Encumbrances	1,664,046	1,536,133	127,913	1,935,747	1,913,540	22,207
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (99,077)</u>	<u>28,836</u>	<u>\$ 127,913</u>	<u>\$ (22,207)</u>	<u>-</u>	<u>\$ 22,207</u>
Reconciling Items:						
Encumbrances at September 30		28,948			-	
Funds not annually budgeted		-			-	
Net Reconciling Items		<u>28,948</u>			<u>-</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>57,784</u>			<u>-</u>	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated		<u>389,209</u>			<u>-</u>	
Ending balances (GAAP Basis)		<u>\$ 446,993</u>			<u>\$ -</u>	

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

<u>Statutory/Budgetary Basis</u>	<u>COMPREHENSIVE TRANSPORTATION FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES AND OTHER SOURCES			
Taxes	\$ 73,728	\$ 73,728	\$ -
From federal agencies	31,987	31,987	-
From local agencies	65	65	-
From services	-	-	-
From licenses and permits	258	258	-
Miscellaneous	4,317	4,317	-
Transfers in	<u>160,300</u>	<u>160,300</u>	<u>-</u>
Total Revenues and Other Sources	<u>270,656</u>	<u>270,656</u>	<u>-</u>
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Transportation	<u>334,368</u>	<u>319,500</u>	<u>14,868</u>
Total Expenditures, Transfers Out, and Encumbrances	<u>334,368</u>	<u>319,500</u>	<u>14,868</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (63,712)</u>	<u>(48,844)</u>	<u>\$ 14,868</u>
Reconciling Items:			
Encumbrances at September 30		38,379	
Funds not annually budgeted		<u>-</u>	
Net Reconciling Items		<u>38,379</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>(10,465)</u>	
FUND BALANCES (GAAP BASIS)			
Beginning balances - restated		<u>84,667</u>	
Ending balances (GAAP Basis)		<u>\$ 74,202</u>	

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED					
	COMBINED STATE TRUNKLINE BOND PROCEEDS FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	TRANSPORTATION RELATED TRUST FUNDS	TOTALS		
	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
<u>Statutory/Budgetary Basis</u>						
REVENUES AND OTHER SOURCES						
Taxes	\$ -	\$ -	\$ -	\$ 1,925,948	\$ 1,925,948	\$ -
From federal agencies	-	-	-	773,730	773,730	-
From local agencies	-	-	-	57,711	57,711	-
From services	-	-	-	697	697	-
From licenses and permits	-	-	-	74,141	74,141	-
Miscellaneous	-	-	-	62,497	62,497	-
Transfers in	-	-	-	988,252	988,252	-
Total Revenues and Other Sources	-	-	-	3,882,976	3,882,976	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH DEPARTMENT/AGENCY						
Transportation	-	-	-	4,071,008	3,904,012	166,996
Total Expenditures, Transfers Out, and Encumbrances	-	-	-	4,071,008	3,904,012	166,996
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-	-	<u>\$ (188,032)</u>	<u>(21,036)</u>	<u>\$ 166,996</u>
Reconciling Items:						
Encumbrances at September 30	-	-	-		70,267	
Funds not annually budgeted	499,624	(4,566)	-		495,057	
Net Reconciling Items	499,624	(4,566)	-		565,325	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	499,624	(4,566)	-		544,288	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated	17,512	11,694	-		519,072	
Ending balances (GAAP Basis)	<u>\$ 517,136</u>	<u>\$ 7,128</u>	<u>\$ -</u>		<u>\$ 1,063,361</u>	

SPECIAL REVENUE FUNDS – CONSERVATION, ENVIRONMENT, AND RECREATION RELATED

GAME AND FISH PROTECTION FUND

Established in 1921, this fund currently operates under Part 435 of P.A. 451 of 1994, as amended, and is financed principally by the sale of hunting and fishing licenses. The license fees are set by statute and their purpose is to support the conservation program for preservation and control of fish and wildlife. The fund also receives funding from the Game and Fish Protection Trust Fund. The fund provides financial support for statewide hunting and fishing programs, including resource management, research, enforcement of hunting and fishing laws, and acquisition of lands to be used for hunting and fishing purposes.

MICHIGAN STATE WATERWAYS FUND

Established in 1947, this fund currently operates under Part 781 of P.A. 451 of 1994, as amended. The fund receives portions of watercraft registration fees and gasoline taxes, some of which are collected by other State agencies and transferred to this fund. The fund provides for improvement of lake harbors and inland waterways; construction, operation, and maintenance of recreational boating facilities; property acquisition; and administration.

MARINE SAFETY FUND

Established in 1967, this fund currently operates under Part 801 of P.A. 451 of 1994, as amended. The fund is financed principally by 49% of watercraft registration fees imposed by this act. The fund provides for water safety education programs, law enforcement, and regulation of watercraft on the waters of this State.

GAME AND FISH PROTECTION TRUST FUND

This fund was established in 1986 and presently operates under Part 437 of P.A. 451 of 1994, as amended, to restrict certain assets for the purpose of generating interest and earnings for transfer to the Game and Fish Protection Fund. In addition, the Legislature may appropriate up to \$6 million annually for use by the Game and Fish Protection Fund. Mineral royalties from lands acquired by the Game and Fish Protection Fund; direct sale proceeds; and other revenues, which, by statute, are retained for permanent investment, provide additional investment funding.

STATE PARK IMPROVEMENT FUND

Established in 1960, this fund currently operates under Part 741 of P.A. 451 of 1994, as amended. The fund is primarily financed by State park use and concession fees and motor vehicle permit fees necessary for entry by motor vehicles into designated State parks. These fees are the primary funding source for the operation, maintenance, and improvements of the State Park system.

COMBINED RECREATION BOND FUND - LOCAL PROJECTS

Established in 1988, this fund presently operates under Parts 196 and 715 of P.A. 451 of 1994, as amended. The residual balances in this fund reflect proceeds and investment earnings remaining from two bond packages: \$70 million of general obligation bonds approved by voters in November 1988, as part of a \$140 million bond package for financing state and local public recreation projects, and \$50 million of general obligation bonds approved by voters in November of 1998, as part of a \$675 million bond package known as the "Clean Michigan Initiative." Proceeds from the 1988 bond package provide grants and loans to local units of government in the amounts of \$65 million for local recreation projects and \$5 million to discourage development of open space and underdeveloped lands. Proceeds from the 1998 bond package also provide grants to local units of government for local recreation projects pursuant to Part 716 of P.A. 451 of 1994.

COMBINED ENVIRONMENTAL PROTECTION BOND FUND

Established by P.A. 328 of 1988, this fund accounts for the proceeds of \$660 million of general obligation bonds approved by Michigan voters in November 1988 to finance environmental protection programs. This approval was obtained under the general authority of Article 9, Section 15, of the 1963 State Constitution. Public Act 328 of 1988 specifies that not more than \$425 million of the bond proceeds be available to clean up sites of toxic and other environmental contamination; not more than \$150 million be available for solid waste projects; not more than \$60 million be available to capitalize the State Water Pollution Control Loan Fund; and not more than \$25 million be available to fund Michigan's participation in a regional Great Lakes Protection Fund.

Public Act 284 of 1998 expanded this fund to account for the proceeds of \$570 million of general obligation bonds approved by Michigan voters in November 1998. Public Act 288 of 1998 directs that not more than \$335 million be used for environmental response activities; not more than \$50 million for waterfront improvements; not more than \$25 million for remediation of contaminated lake and river sediments; not more than \$50 million for nonpoint source pollution prevention and control projects or wellhead protection projects; not more than \$90 million for water quality monitoring and water resources protection and pollution control activities; and not more than \$20 million for pollution prevention programs.

MICHIGAN NONGAME FISH AND WILDLIFE FUND

Established in 1983, the fund currently operates under Part 439 of P.A. 451 of 1994, as amended. Fund revenues are used to finance research and management of nongame fish and wildlife, designated endangered species, and designated plant species of this State. During fiscal year 1999-2000, the fund received an operating transfer from the General Fund of \$2.4 million for the purpose of reaching the \$6 million level for funds held for investment. As a result, statutory authority for the State income tax check-off, which provided revenue for this fund in past years, expired and is no longer available. The fund may receive transfers from other funds, donations, investment income, and revenue from specialty license plate sales, beginning in calendar year 2001.

FOREST DEVELOPMENT FUND

This fund was established in 1993, along with the Michigan Forest Finance Authority, and presently operates under Part 505 of P.A. 451 of 1994, as amended. The Authority is authorized to acquire: standing timber, timber cutting rights, and the State's interest in contracts granting cutting rights on State tax reverted lands and on other lands in the State forest system. Revenues are derived from the sale of forest products, and are pledged to provide debt service on any bonds or notes that might be issued by the authority. Revenues not used for debt service are major funding sources for the Forest Management Division and are used for forest management operations and practices. The Authority may, but thus far has not issued bonds.

MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FUND

The Michigan Underground Storage Tank Financial Assurance Fund (MUSTFA) was established in P.A. 518 of 1988 to assist certain owners and operators of underground storage tank systems in meeting their financial responsibility requirements provided for in the Solid Waste Disposal Act. The Department of Environmental Quality and an eleven-member advisory board administer the fund.

The primary source of revenues is an environmental protection regulatory fee of 7/8 cent per gallon imposed on all refined petroleum products sold for resale. Expenditures are primarily amounts spent to assist in environmental cleanup. Public Acts 252 and 269 of 1995 limit the fund's liability to claims received by June 29, 1995. The State's liability for environmental cleanup claims is further limited by law to the amount of available resources. Liabilities for unpaid eligible environmental cleanup claims in excess of available funds will be paid from future years' revenues, and are recorded as a liability in the government-wide financial statements.

BOTTLE DEPOSITS FUND

This fund was created in P.A. 384 of 1996 to provide for the disposition of unredeemed bottle deposits. The Department of Treasury and the Department of Environmental Quality jointly administer the fund. The law mandates that an annual distribution of the funds be made as follows: 25% returned to the dealers and 75% to fund several sub-funds.

The 75% distribution to the Department of Environmental Quality is initially deposited into the Cleanup and Redevelopment Trust Sub-Fund (CRTF), and if not further distributed, remains there until the principal amount reaches \$200 million. Of funds received annually by the CRTF, 80% is allocated to the Cleanup and Redevelopment Sub-Fund (CRF) and 10% to the Community Pollution Prevention Sub-Fund (CPPF).

Public Act 380 of 1996 moved the former Environmental Response Fund (ERF) to a sub-fund of the CRF. The law mandates that proceeds of all cost recovery actions taken and settlements entered into pursuant to the ERF (excluding natural resource damages) by the department or the Attorney General, or both, shall be credited to the ERF.

MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY

The Michigan Underground Storage Tank Financial Assurance Finance Authority was established in 1993 and operates under Part 215 of P.A. 451 of 1994, as amended to provide financing for the activities of the Michigan Underground Storage Tank Financial Assurance Fund, including short or long-term debt instruments. A five-member board of directors governs the Authority.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
SEPTEMBER 30, 2001
(In Thousands)

	GAME AND FISH PROTECTION FUND	MICHIGAN STATE WATERWAYS FUND	MARINE SAFETY FUND	GAME AND FISH PROTECTION TRUST FUND
ASSETS				
Current Assets:				
Cash	\$ 5	\$ 9	\$ -	\$ -
Equity in common cash	30,188	66,359	6,339	9,988
Taxes, interest, and penalties receivable	-	219	-	-
Amounts due from other funds	-	-	-	-
Amounts due from federal agencies	327	84	516	-
Amounts due from local units	-	-	-	-
Inventories	-	76	-	-
Other current assets	3,822	5	-	2,228
Total Current Assets	<u>34,342</u>	<u>66,752</u>	<u>6,854</u>	<u>12,216</u>
Amounts due from local units	-	-	-	-
Investments	251	-	-	82,209
Other noncurrent assets	-	-	-	-
Total Assets	<u>\$ 34,593</u>	<u>\$ 66,752</u>	<u>\$ 6,854</u>	<u>\$ 94,424</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	\$ 420	\$ 314	\$ 835	\$ -
Accounts payable and other liabilities	5,157	2,852	1,945	-
Amounts due to other funds	294	45	1	-
Deferred revenue	-	-	-	-
Total Current Liabilities	<u>5,871</u>	<u>3,212</u>	<u>2,782</u>	<u>-</u>
Long-Term Liabilities:				
Deferred revenue	-	-	-	-
Total Liabilities	<u>5,871</u>	<u>3,212</u>	<u>2,782</u>	<u>-</u>
Fund Balances:				
Reserves for:				
Budgetary carry-forwards:				
Encumbrances	2,083	10,374	86	-
Restricted revenues	12,714	3,728	-	-
Multi-year projects	-	23,586	-	-
Revolving loan programs	-	-	-	-
Funds held as permanent investments	1,828	-	-	88,424
Total Reserved	<u>16,625</u>	<u>37,689</u>	<u>86</u>	<u>88,424</u>
Unreserved	<u>12,097</u>	<u>25,852</u>	<u>3,987</u>	<u>6,000</u>
Total Fund Balances	<u>28,722</u>	<u>63,541</u>	<u>4,073</u>	<u>94,424</u>
Total Liabilities and Fund Balances	<u>\$ 34,593</u>	<u>\$ 66,752</u>	<u>\$ 6,854</u>	<u>\$ 94,424</u>

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
SEPTEMBER 30, 2001
(In Thousands)

	STATE PARK IMPROVEMENT FUND	COMBINED RECREATION BOND FUND- LOCAL PROJECTS	COMBINED ENVIRONMENTAL PROTECTION BOND FUND	MICHIGAN NONGAME FISH AND WILDLIFE FUND	FOREST DEVELOPMENT FUND	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FUND
ASSETS						
Current Assets:						
Cash	\$ 228	\$ -	\$ -	\$ -	\$ 40	\$ -
Equity in common cash	14,385	2,853	48,101	5,992	11,022	2,078
Taxes, interest, and penalties receivable	-	-	-	-	-	5,693
Amounts due from other funds	-	-	-	-	-	1,000
Amounts due from federal agencies	-	-	-	-	1	-
Amounts due from local units	-	-	720	-	-	-
Inventories	-	-	-	-	-	-
Other current assets	871	-	34	36	11	4
Total Current Assets	<u>15,484</u>	<u>2,853</u>	<u>48,855</u>	<u>6,029</u>	<u>11,074</u>	<u>8,775</u>
Amounts due from local units	-	-	-	-	-	-
Investments	-	-	-	752	-	-
Other noncurrent assets	-	-	-	-	-	-
Total Assets	<u>\$ 15,484</u>	<u>\$ 2,853</u>	<u>\$ 48,855</u>	<u>\$ 6,781</u>	<u>\$ 11,074</u>	<u>\$ 8,775</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Warrants outstanding	\$ 92	\$ 8	\$ 763	\$ 14	\$ 126	\$ 4
Accounts payable and other liabilities	2,387	10,159	36,830	78	2,608	372
Amounts due to other funds	27	6,136	1	5	74	37
Deferred revenue	1,012	-	-	-	-	-
Total Current Liabilities	<u>3,518</u>	<u>16,302</u>	<u>37,594</u>	<u>97</u>	<u>2,808</u>	<u>413</u>
Long-Term Liabilities:						
Deferred revenue	-	-	-	-	-	-
Total Liabilities	<u>3,518</u>	<u>16,302</u>	<u>37,594</u>	<u>97</u>	<u>2,808</u>	<u>413</u>
Fund Balances:						
Reserves for:						
Budgetary carry-forwards:						
Encumbrances	772	-	-	137	685	2
Restricted revenues	-	-	-	-	-	1,953
Multi-year projects	5,893	-	-	-	-	41,780
Revolving loan programs	-	-	-	-	-	-
Funds held as permanent investments	-	-	-	6,002	-	-
Total Reserved	<u>6,665</u>	<u>-</u>	<u>-</u>	<u>6,140</u>	<u>685</u>	<u>43,735</u>
Unreserved	<u>5,301</u>	<u>(13,450)</u>	<u>11,261</u>	<u>545</u>	<u>7,581</u>	<u>(35,372)</u>
Total Fund Balances	<u>11,966</u>	<u>(13,450)</u>	<u>11,261</u>	<u>6,684</u>	<u>8,266</u>	<u>8,363</u>
Total Liabilities and Fund Balances	<u>\$ 15,484</u>	<u>\$ 2,853</u>	<u>\$ 48,855</u>	<u>\$ 6,781</u>	<u>\$ 11,074</u>	<u>\$ 8,775</u>

This statement continued on next page.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
SEPTEMBER 30, 2001
(In Thousands)

	BOTTLE DEPOSITS FUND	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY	TOTALS SEPTEMBER 30, 2001
ASSETS			
Current Assets:			
Cash	\$ 37	\$ -	\$ 319
Equity in common cash	151,442	-	348,746
Taxes, interest, and penalties receivable	-	-	5,913
Amounts due from other funds	-	-	1,000
Amounts due from federal agencies	-	-	928
Amounts due from local units	566	-	1,286
Inventories	-	-	76
Other current assets	4,718	-	11,729
Total Current Assets	156,762	-	369,997
Amounts due from local units	4,467	-	4,467
Investments	-	-	83,212
Other noncurrent assets	674	-	674
Total Assets	\$ 161,903	\$ -	\$ 458,349
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	\$ 42	\$ -	\$ 2,618
Accounts payable and other liabilities	13,586	-	75,976
Amounts due to other funds	13	-	6,632
Deferred revenue	318	-	1,330
Total Current Liabilities	13,959	-	86,556
Long-Term Liabilities:			
Deferred revenue	674	-	674
Total Liabilities	14,633	-	87,230
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Encumbrances	4,324	-	18,464
Restricted revenues	113,310	-	131,705
Multi-year projects	10,953	-	82,211
Revolving loan programs	5,456	-	5,456
Funds held as permanent investments	13,228	-	109,483
Total Reserved	147,270	-	347,318
Unreserved	-	-	23,801
Total Fund Balances	147,270	-	371,119
Total Liabilities and Fund Balances	\$ 161,903	\$ -	\$ 458,349

Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED FISCAL YEAR ENDED SEPTEMBER 30, 2001 (In Thousands)

	GAME AND FISH PROTECTION FUND	MICHIGAN STATE WATERWAYS FUND	MARINE SAFETY FUND	GAME AND FISH PROTECTION TRUST FUND
REVENUES				
Taxes	\$ -	\$ 447	\$ -	\$ -
From federal agencies	2,068	612	470	-
From licenses and permits	48,009	6,265	4,733	-
Miscellaneous	2,202	4,262	360	21,533
Total Revenues	52,280	11,585	5,562	21,533
EXPENDITURES				
Current:				
General government	-	-	-	-
Conservation, environment, recreation, and agriculture	55,769	21,777	4,908	-
Health services	-	-	-	-
Capital outlay	2,257	4,181	-	-
Total Expenditures	58,026	25,957	4,908	-
Excess of Revenues over (under) Expenditures	(5,746)	(14,372)	655	21,533
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	-	-	-
Transfers from other funds	12,021	14,785	-	-
Transfers to other funds	(1,415)	(373)	(1,091)	(12,032)
Total Other Financing Sources (Uses)	10,607	14,412	(1,091)	(12,032)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	4,860	40	(436)	9,500
Fund Balances - Beginning of fiscal year - restated	23,861	63,501	4,509	84,924
Fund Balances - End of fiscal year	\$ 28,722	\$ 63,541	\$ 4,073	\$ 94,424

Michigan

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)**

	STATE PARK IMPROVEMENT FUND	COMBINED RECREATION BOND FUND- LOCAL PROJECTS	COMBINED ENVIRONMENTAL PROTECTION BOND FUND	MICHIGAN NONGAME FISH AND WILDLIFE FUND	FOREST DEVELOPMENT FUND
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
From federal agencies	-	-	-	-	1
From licenses and permits	27,151	-	-	-	1
Miscellaneous	683	210	8,961	548	22,741
Total Revenues	27,834	210	8,961	548	22,742
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Conservation, environment, recreation, and agriculture	27,798	15,122	78,052	763	23,562
Health services	-	-	1,391	-	-
Capital outlay	2,297	-	-	-	174
Total Expenditures	30,095	15,122	79,444	763	23,736
Excess of Revenues over (under) Expenditures	(2,261)	(14,913)	(70,483)	(215)	(993)
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	-	-	60,499	-	-
Transfers from other funds	-	-	-	-	-
Transfers to other funds	(205)	(3)	(16,607)	(5)	(132)
Total Other Financing Sources (Uses)	(205)	(3)	43,892	(5)	(132)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(2,467)	(14,916)	(26,591)	(220)	(1,125)
Fund Balances - Beginning of fiscal year - restated	14,432	1,466	37,851	6,904	9,391
Fund Balances - End of fiscal year	\$ 11,966	\$ (13,450)	\$ 11,261	\$ 6,684	\$ 8,266

Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED FISCAL YEAR ENDED SEPTEMBER 30, 2001 (In Thousands)

	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FUND	BOTTLE DEPOSITS FUND	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY	TOTALS SEPTEMBER 30, 2001
REVENUES				
Taxes	\$ 58,495	\$ -	\$ -	\$ 58,942
From federal agencies	-	-	-	3,150
From licenses and permits	-	-	-	86,159
Miscellaneous	59	36,554	173	98,285
Total Revenues	58,554	36,554	173	246,537
EXPENDITURES				
Current:				
General government	477	-	-	477
Conservation, environment, recreation, and agriculture	4,126	23,280	-	255,157
Health services	-	-	-	1,391
Capital outlay	-	-	-	8,909
Total Expenditures	4,604	23,280	-	265,934
Excess of Revenues over (under) Expenditures	53,951	13,274	173	(19,397)
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	-	-	60,499
Transfers from other funds	4,000	16,602	-	47,408
Transfers to other funds	(58,160)	(509)	-	(90,532)
Total Other Financing Sources (Uses)	(54,160)	16,093	-	17,376
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(209)	29,368	173	(2,022)
Fund Balances - Beginning of fiscal year - restated	8,572	117,902	(173)	373,141
Fund Balances - End of fiscal year	\$ 8,363	\$ 147,270	\$ -	\$ 371,119

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)**

<u>Statutory/Budgetary Basis</u>	<u>GAME AND FISH PROTECTION FUND</u>			<u>MICHIGAN STATE WATERWAYS FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES AND OTHER SOURCES						
Taxes	\$ -	\$ -	\$ -	\$ 447	\$ 447	\$ -
From federal agencies	2,068	2,068	-	612	612	-
From licenses and permits	48,009	48,009	-	6,265	6,265	-
Miscellaneous	2,202	2,202	-	4,262	4,262	-
Transfers in	12,021	12,021	-	14,785	14,785	-
Total Revenues and Other Sources	64,301	64,301	-	26,370	26,370	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Natural Resources	70,984	61,524	9,460	43,012	36,705	6,307
Total Expenditures, Transfers Out and Encumbrances	70,984	61,524	9,460	43,012	36,705	6,307
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ (6,682)	2,778	\$ 9,460	\$ (16,641)	(10,335)	\$ 6,307
Reconciling Items:						
Encumbrances at September 30		2,083			10,374	
Funds not annually budgeted		-			-	
Net Reconciling Items		2,083			10,374	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		4,860			40	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated		23,861			63,501	
Ending balances (GAAP Basis)		\$ 28,722			\$ 63,541	

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)**

<u>Statutory/Budgetary Basis</u>	<u>MARINE SAFETY FUND</u>			<u>STATE PARK IMPROVEMENT FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES AND OTHER SOURCES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From federal agencies	470	470	-	-	-	-
From licenses and permits	4,733	4,733	-	27,151	27,151	-
Miscellaneous	360	360	-	683	683	-
Transfers in	-	-	-	-	-	-
Total Revenues and Other Sources	<u>5,562</u>	<u>5,562</u>	<u>-</u>	<u>27,834</u>	<u>27,834</u>	<u>-</u>
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Natural Resources	<u>6,091</u>	<u>6,085</u>	<u>6</u>	<u>31,128</u>	<u>31,073</u>	<u>55</u>
Total Expenditures, Transfers Out and Encumbrances	<u>6,091</u>	<u>6,085</u>	<u>6</u>	<u>31,128</u>	<u>31,073</u>	<u>55</u>
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (529)</u>	<u>(522)</u>	<u>\$ 6</u>	<u>\$ (3,294)</u>	<u>(3,239)</u>	<u>\$ 55</u>
Reconciling Items:						
Encumbrances at September 30		86			772	
Funds not annually budgeted		<u>-</u>			<u>-</u>	
Net Reconciling Items		<u>86</u>			<u>772</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>(436)</u>			<u>(2,467)</u>	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated		<u>4,509</u>			<u>14,432</u>	
Ending balances (GAAP Basis)		<u>\$ 4,073</u>			<u>\$ 11,966</u>	

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)**

<u>Statutory/Budgetary Basis</u>	MICHIGAN NONGAME FISH AND WILDLIFE FUND			FOREST DEVELOPMENT FUND		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES AND OTHER SOURCES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From federal agencies	-	-	-	1	1	-
From licenses and permits	-	-	-	1	1	-
Miscellaneous	548	548	-	22,741	22,741	-
Transfers in	-	-	-	-	-	-
Total Revenues and Other Sources	548	548	-	22,742	22,742	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Natural Resources	921	905	16	25,448	24,552	896
Total Expenditures, Transfers Out and Encumbrances	921	905	16	25,448	24,552	896
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (374)</u>	<u>(357)</u>	<u>\$ 16</u>	<u>\$ (2,706)</u>	<u>(1,810)</u>	<u>\$ 896</u>
Reconciling Items:						
Encumbrances at September 30		137			685	
Funds not annually budgeted		-			-	
Net Reconciling Items		137			685	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>(220)</u>			<u>(1,125)</u>	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated		6,904			9,391	
Ending balances (GAAP Basis)		<u>\$ 6,684</u>			<u>\$ 8,266</u>	

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)**

FUNDS NOT ANNUALLY BUDGETED

	GAME AND FISH PROTECTION TRUST FUND	COMBINED RECREATION BOND FUND- LOCAL PROJECTS	COMBINED ENVIRONMENTAL PROTECTION BOND FUND	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FUND	BOTTLE DEPOSITS FUND	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY
<u>Statutory/Budgetary Basis</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
REVENUES AND OTHER SOURCES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From federal agencies	-	-	-	-	-	-
From licenses and permits	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Total Revenues and Other Sources	-	-	-	-	-	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Natural Resources	-	-	-	-	-	-
Total Expenditures, Transfers Out and Encumbrances	-	-	-	-	-	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-	-	-	-	-
Reconciling Items:						
Encumbrances at September 30	-	-	-	-	-	-
Funds not annually budgeted	9,500	(14,916)	(26,591)	(209)	29,368	173
Net Reconciling Items	9,500	(14,916)	(26,591)	(209)	29,368	173
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	9,500	(14,916)	(26,591)	(209)	29,368	173
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated	84,924	1,466	37,851	8,572	117,902	(173)
Ending balances (GAAP Basis)	\$ 94,424	\$ (13,450)	\$ 11,261	\$ 8,363	\$ 147,270	\$ -

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)**

<u>Statutory/Budgetary Basis</u>	TOTALS		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES AND OTHER SOURCES			
Taxes	\$ 447	\$ 447	\$ -
From federal agencies	3,150	3,150	-
From licenses and permits	86,159	86,159	-
Miscellaneous	30,795	30,795	-
Transfers in	26,806	26,806	-
Total Revenues and Other Sources	147,358	147,358	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Natural Resources	177,584	160,844	16,740
Total Expenditures, Transfers Out and Encumbrances	177,584	160,844	16,740
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (30,225)</u>	<u>(13,485)</u>	<u>\$ 16,740</u>
Reconciling Items:			
Encumbrances at September 30		14,138	
Funds not annually budgeted		<u>(2,674)</u>	
Net Reconciling Items		<u>11,464</u>	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>(2,022)</u>	
FUND BALANCES (GAAP BASIS)			
Beginning balances - restated		<u>373,141</u>	
Ending balances (GAAP Basis)		<u>\$ 371,119</u>	

SPECIAL REVENUE FUNDS – REGULATORY AND ADMINISTRATIVE RELATED

MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND

Public Act 1 of 1936 (Extra Session) created this fund to account for administrative costs of the Unemployment Agency, which is administered by the Department of Consumer and Industry Services. The fund derives most of its revenue from federal grants. It also receives transfers from the Michigan Employment Security Act Contingent Fund (reported as part of the Michigan Unemployment Compensation Funds, an enterprise fund). Expenditures for administration are subject to legislative appropriation.

Unemployment benefit payments to individuals are made directly from funds accumulated from employer premiums. These activities are reported in the Michigan Unemployment Compensation Funds.

SAFETY EDUCATION AND TRAINING FUND

Public Act 154 of 1974, as amended, imposes an annual levy on each insurance carrier licensed to write workers' disability compensation business in the State and on each self-insured employer. Public Act 24 of 1977 established the Safety Education and Training Fund to receive these assessments for support of the Department of Consumer and Industry Service's Safety Education and Training Division.

UNINSURED EMPLOYERS' SECURITY FUND

Under P.A. 198 of 1993, this fund succeeded the former Workplace Health and Safety Fund. This fund provided workers' compensation benefits to employees injured on or after June 29, 1990 (and for related claims administration), where their employer failed to provide coverage for them. This fund was closed in accordance with P.A. 357 of 1996. Sufficient equity in common cash was retained to cover the remaining liabilities.

STATE CONSTRUCTION CODE FUND

Public Act 230 of 1972, as amended, created the State Construction Code Fund. Fees received for building permit applications and other funds collected under this act are appropriated by the Legislature for the operation of the Department of Consumer and Industry Service's Bureau of Construction Codes and related indirect overhead expenditures.

HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND

Established by P.A. 497 of 1980, the Homeowner Construction Lien Recovery Fund allows contractors, subcontractors, suppliers, and laborers to collect payments for work done if they have not been paid, despite filing a residential lien. The fund is self-sustaining and is financed by fees assessed on builders, electrical and plumbing contractors, and laborers.

STATE CASINO GAMING FUND

Created by P.A. 69 of 1997, this fund provides the licensing, regulation and control of casino gaming activities in Michigan. The five-member gaming control board is vested with the authority for licensing, regulating, and controlling casino gaming operations; manufacturers and distributors of gaming equipment and supplies; and persons who participate in gaming. Activities financed by casino gaming revenue are legally restricted for specific purposes.

SECOND INJURY FUND

Public Act 317 of 1969, as amended, created the Second Injury Fund to insure carriers and self-insured employers against certain workers' compensation losses. The administrator, appointed by the fund's Board of Trustees, supervises the fund. The fund's revenue consists of assessments, calculated under provisions of the act, which are assessed to insurance carriers and self-insured employers licensed or authorized in Michigan.

SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND

Established by P.A. 317 of 1969, as amended, the Silicosis, Dust Disease, and Logging Industry Compensation Fund reimburses insurance carriers who pay benefits to employees injured from certain dust diseases, and employees who have sustained personal injury or death while being employed in the logging industry. Revenues are generated through annual assessments of insurance carriers.

SELF-INSURERS' SECURITY FUND

Established by P.A. 317 of 1969, as amended, the Self-Insurers' Security Fund pays workers' compensation benefits to injured employees of insolvent, private self-insured employers. Revenues are generated through annual assessments of insurance carriers.

UTILITY CONSUMER REPRESENTATION FUND

Established by P.A. 304 of 1982, as amended, the Utility Consumer Representation Fund provides funding, on behalf of residential gas, fuel, and electric customers, for energy cost recovery hearings before the Michigan Public Service Commission. Revenues are generated through annual assessments of regulated utility companies.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
SEPTEMBER 30, 2001
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	UNINSURED EMPLOYERS' SECURITY FUND	STATE CONSTRUCTION CODE FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND
ASSETS					
Current Assets:					
Cash	\$ 3	\$ -	\$ -	\$ -	\$ -
Equity in common cash	-	3,824	479	14,494	2,756
Amounts due from federal agencies	11,279	-	-	-	-
Other current assets	359	9	-	82	-
Total Current Assets	<u>11,641</u>	<u>3,833</u>	<u>479</u>	<u>14,577</u>	<u>2,756</u>
Total Assets	<u>\$ 11,641</u>	<u>\$ 3,833</u>	<u>\$ 479</u>	<u>\$ 14,577</u>	<u>\$ 2,756</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	\$ 1,424	\$ 46	\$ -	\$ 12	\$ 12
Accounts payable and other liabilities	8,809	258	479	260	210
Amounts due to other funds	1,408	1	-	39	1
Deferred revenue	-	-	-	1	-
Total Current Liabilities	<u>11,641</u>	<u>305</u>	<u>479</u>	<u>311</u>	<u>223</u>
Total Liabilities	<u>11,641</u>	<u>305</u>	<u>479</u>	<u>311</u>	<u>223</u>
Fund Balances:					
Reserves for:					
Budgetary carry-forwards:					
Encumbrances	-	163	-	5	-
Restricted revenues	-	-	-	33	-
Multi-year projects	-	-	-	-	-
Total Reserved	<u>-</u>	<u>163</u>	<u>-</u>	<u>38</u>	<u>-</u>
Unreserved	<u>-</u>	<u>3,365</u>	<u>-</u>	<u>14,228</u>	<u>2,533</u>
Total Fund Balances	<u>-</u>	<u>3,528</u>	<u>-</u>	<u>14,266</u>	<u>2,533</u>
Total Liabilities and Fund Balances	<u>\$ 11,641</u>	<u>\$ 3,833</u>	<u>\$ 479</u>	<u>\$ 14,577</u>	<u>\$ 2,756</u>

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
SEPTEMBER 30, 2001
(In Thousands)

	STATE CASINO GAMING FUND	SECOND INJURY FUND	SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	SELF-INSURERS' SECURITY FUND	UTILITY CONSUMER REPRESENTATION FUND	TOTALS SEPTEMBER 30, 2001
ASSETS						
Current Assets:						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3
Equity in common cash	11,376	34,243	5,125	3,833	1,921	78,052
Amounts due from federal agencies	-	-	-	-	-	11,279
Other current assets	342	142	3	15	381	1,333
Total Current Assets	<u>11,718</u>	<u>34,384</u>	<u>5,128</u>	<u>3,848</u>	<u>2,302</u>	<u>90,666</u>
Total Assets	<u>\$ 11,718</u>	<u>\$ 34,384</u>	<u>\$ 5,128</u>	<u>\$ 3,848</u>	<u>\$ 2,302</u>	<u>\$ 90,666</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Warrants outstanding	\$ 140	\$ 537	\$ 124	\$ 22	\$ -	\$ 2,317
Accounts payable and other liabilities	965	3,132	1,370	412	104	16,001
Amounts due to other funds	18	7	5	-	-	1,478
Deferred revenue	8	10,378	698	379	-	11,464
Total Current Liabilities	<u>1,131</u>	<u>14,054</u>	<u>2,197</u>	<u>814</u>	<u>104</u>	<u>31,260</u>
Total Liabilities	<u>1,131</u>	<u>14,054</u>	<u>2,197</u>	<u>814</u>	<u>104</u>	<u>31,260</u>
Fund Balances:						
Reserves for:						
Budgetary carry-forwards:						
Encumbrances	6	-	-	-	-	174
Restricted revenues	9,734	-	-	-	-	9,766
Multi-year projects	645	-	-	-	-	645
Total Reserved	<u>10,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,585</u>
Unreserved	<u>202</u>	<u>20,331</u>	<u>2,931</u>	<u>3,034</u>	<u>2,198</u>	<u>48,821</u>
Total Fund Balances	<u>10,586</u>	<u>20,331</u>	<u>2,931</u>	<u>3,034</u>	<u>2,198</u>	<u>59,407</u>
Total Liabilities and Fund Balances	<u>\$ 11,718</u>	<u>\$ 34,384</u>	<u>\$ 5,128</u>	<u>\$ 3,848</u>	<u>\$ 2,302</u>	<u>\$ 90,666</u>

Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND	SAFETY EDUCATION AND TRAINING FUND	UNINSURED EMPLOYERS' SECURITY FUND	STATE CONSTRUCTION CODE FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND
REVENUES					
From federal agencies	\$ 115,538	\$ -	\$ -	\$ -	\$ -
From services	-	-	-	2	-
From licenses and permits	-	-	-	11,473	-
Miscellaneous	97	6,637	-	692	625
Total Revenues	115,634	6,637	-	12,168	625
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Labor, commerce, and regulatory	123,441	6,149	-	9,994	1,108
Debt Service:					
Capital lease payments	594	-	-	-	-
Total Expenditures	124,035	6,149	-	9,994	1,108
Excess of Revenues over (under) Expenditures	(8,400)	488	-	2,174	(483)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	10,303	-	-	-	-
Transfers to other funds	(1,902)	(46)	-	(86)	(14)
Total Other Financing Sources (Uses)	8,400	(46)	-	(86)	(14)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	442	-	2,088	(497)
Fund Balances - Beginning of fiscal year - restated	-	3,086	-	12,178	3,030
Fund Balances - End of fiscal year	\$ -	\$ 3,528	\$ -	\$ 14,266	\$ 2,533

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	STATE CASINO GAMING FUND	SECOND INJURY FUND	SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	SELF-INSURERS' SECURITY FUND	UTILITY CONSUMER REPRESENTATION FUND	TOTALS SEPTEMBER 30, 2001
REVENUES						
From federal agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,538
From services	1	-	-	-	-	4
From licenses and permits	150	-	-	-	-	11,623
Miscellaneous	27,116	34,998	2,511	3,843	1,000	77,520
Total Revenues	27,267	34,998	2,511	3,843	1,000	204,684
EXPENDITURES						
Current:						
General government	12,824	-	-	-	362	13,185
Labor, commerce, and regulatory	-	23,667	4,045	3,274	226	171,904
Debt Service:						
Capital lease payments	-	-	-	-	-	594
Total Expenditures	12,824	23,667	4,045	3,274	587	185,684
Excess of Revenues over (under) Expenditures	14,443	11,331	(1,534)	569	413	19,001
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	-	-	-	505	-	10,808
Transfers to other funds	(2,135)	(20)	(7)	(5)	(1)	(4,216)
Total Other Financing Sources (Uses)	(2,135)	(20)	(7)	500	(1)	6,591
Excess of Revenues and Other Source over (under) Expenditures and Other Uses	12,308	11,312	(1,541)	1,069	413	25,592
Fund Balances - Beginning of fiscal year - restated	(1,722)	9,019	4,472	1,966	1,785	33,815
Fund Balances - End of fiscal year	\$ 10,586	\$ 20,331	\$ 2,931	\$ 3,034	\$ 2,198	\$ 59,407

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

Statutory/Budgetary Basis	MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND			SAFETY EDUCATION AND TRAINING FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	\$ 115,538	\$ 115,538	\$ -	\$ -	\$ -	\$ -
From services	-	-	-	-	-	-
From licenses and permits	-	-	-	-	-	-
Miscellaneous	97	97	-	6,637	6,637	-
Transfers in	10,303	10,303	-	-	-	-
Total Revenues and Other Sources	125,937	125,937	-	6,637	6,637	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Consumer and Industry Services	125,937	125,937	-	6,616	6,358	259
Treasury	-	-	-	-	-	-
Total Expenditures, Transfers Out, and Encumbrances	125,937	125,937	-	6,616	6,358	259
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ -	-	\$ -	\$ 21	279	\$ 259
Reconciling Items:						
Encumbrances at September 30		-			163	
Funds not annually budgeted		-			-	
Net Reconciling Items		-			163	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		-			442	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated		-			3,086	
Ending balances (GAAP Basis)		\$ -			\$ 3,528	

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

Statutory/Budgetary Basis	STATE CONSTRUCTION CODE FUND			HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From services	2	2	-	-	-	-
From licenses and permits	11,473	11,473	-	-	-	-
Miscellaneous	692	692	-	625	625	-
Transfers in	-	-	-	-	-	-
Total Revenues and Other Sources	12,168	12,168	-	625	625	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Consumer and Industry Services	10,428	10,085	343	1,531	1,122	408
Treasury	-	-	-	-	-	-
Total Expenditures, Transfers Out, and Encumbrances	10,428	10,085	343	1,531	1,122	408
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ 1,740</u>	<u>2,082</u>	<u>\$ 343</u>	<u>\$ (906)</u>	<u>(497)</u>	<u>\$ 408</u>
Reconciling Items:						
Encumbrances at September 30		5			-	
Funds not annually budgeted		-			-	
Net Reconciling Items		5			-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>2,088</u>			<u>(497)</u>	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated		12,178			3,030	
Ending balances (GAAP Basis)		<u>\$ 14,266</u>			<u>\$ 2,533</u>	

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

Statutory/Budgetary Basis	STATE CASINO GAMING FUND			FUNDS NOT ANNUALLY BUDGETED		FUNDS NOT ANNUALLY BUDGETED		
	BUDGET	ACTUAL	VARIANCE	UNINSURED EMPLOYERS' SECURITY FUND	SECOND INJURY FUND	SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND	SELF-INSURERS' SECURITY FUND	UTILITY CONSUMER REPRESENTATION FUND
				ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL
REVENUES AND OTHER SOURCES								
From federal agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From services	1	1	-	-	-	-	-	-
From licenses and permits	150	150	-	-	-	-	-	-
Miscellaneous	27,116	27,116	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Total Revenues and Other Sources	27,267	27,267	-	-	-	-	-	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY								
Consumer and Industry Services	-	-	-	-	-	-	-	-
Treasury	16,894	14,965	1,929	-	-	-	-	-
Total Expenditures, Transfers Out, and Encumbrances	16,894	14,965	1,929	-	-	-	-	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ 10,373	12,303	\$ 1,929	-	-	-	-	-
Reconciling Items:								
Encumbrances at September 30		6		-	-	-	-	-
Funds not annually budgeted		-		-	11,312	(1,541)	1,069	413
Net Reconciling Items		6		-	11,312	(1,541)	1,069	413
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		12,308		-	11,312	(1,541)	1,069	413
FUND BALANCES (GAAP BASIS)								
Beginning balances - restated		(1,722)		-	9,019	4,472	1,966	1,785
Ending balances (GAAP Basis)	\$ 10,586			\$ -	\$ 20,331	\$ 2,931	\$ 3,034	\$ 2,198

Michigan

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED FISCAL YEAR ENDED SEPTEMBER 30, 2001 (In Thousands)

Statutory/Budgetary Basis	TOTALS		
	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES			
From federal agencies	\$ 115,538	\$ 115,538	\$ -
From services	4	4	-
From licenses and permits	11,623	11,623	-
Miscellaneous	35,167	35,167	-
Transfers in	10,303	10,303	-
Total Revenues and Other Sources	172,634	172,634	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY			
Consumer and Industry Services	144,513	143,503	1,010
Treasury	16,894	14,965	1,929
Total Expenditures, Transfers Out, and Encumbrances	161,406	158,467	2,939
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ 11,228	14,167	\$ 2,939
Reconciling Items:			
Encumbrances at September 30		174	
Funds not annually budgeted		11,251	
Net Reconciling Items		11,425	
Excess of Revenues and Other Sources over (under), Expenditures and Other Uses (GAAP Basis)		25,592	
FUND BALANCES (GAAP BASIS)			
Beginning balances - restated		33,815	
Ending balances (GAAP Basis)		\$ 59,407	

SPECIAL REVENUE FUNDS – OTHER STATE FUNDS

SCHOOL BOND LOAN FUND

Article 9, Section 16, of the State Constitution, P.A. 74 of 1955, and P.A. 112 of 1961 authorized the issuance of State general obligation bonds to provide funds for loans to school districts. Loans are made for the payment of principal and interest on school district bonds under prescribed circumstances. State bond proceeds are credited to the fund as an "Other Financing Source." When loans are made, transfers are recorded to the General Fund, which receives loan payments and provides financing for debt service. In the General Fund, loans receivable are recorded as assets.

TOBACCO SETTLEMENT TRUST FUND

Public Act 489 of 2000 created this fund to account for a portion of the revenue from the master settlement agreement between tobacco manufacturers and the State. The settlement reimburses the State for health care costs, which result from the use of tobacco products. Fund expenditures are used for a variety of programs as determined by the Legislature.

MICHIGAN MERIT AWARD TRUST FUND

This fund was created by P.A. 94 of 1999 to account for a portion of the revenue from the master settlement agreement between tobacco manufacturers and the State. The settlement reimburses the State for health care costs, which result from the use of tobacco products. The fund also consists of interest and earnings from trust fund investments and donations. Fund expenditures are primarily used for the Michigan Merit Award Scholarship Program.

ASSIGNED CLAIMS FACILITY AND PLAN FUND

Michigan Compiled Laws Section 500.3171 requires the Secretary of State to organize and maintain the Assigned Claims Facility and Plan Fund to provide personal protection insurance benefits to persons injured by uninsured motorists, when coverage is not available from other sources. The Facility administers the Plan through servicing insurers. Assessments to self-insurers and no-fault insurers cover the costs incurred by the Facility and Plan.

MISCELLANEOUS SPECIAL REVENUE FUNDS

The miscellaneous special revenue funds column reflects the activities of the following funds: Vietnam Veterans' Memorial Monument, Children's Institute Trust, Special Assessment Deferment, and Agricultural College Fund – Morrill Act.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
 SEPTEMBER 30, 2001
 (In Thousands)

	SCHOOL BOND LOAN FUND	TOBACCO SETTLEMENT TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND	ASSIGNED CLAIMS FACILITY AND PLAN FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	TOTALS SEPTEMBER 30, 2001
ASSETS						
Current Assets:						
Equity in common cash	\$ 1,050	\$ 179,487	\$ 143,590	\$ 134	\$ 1,765	\$ 326,026
Amounts due from local units	-	6	-	-	-	6
Other current assets	-	21,150	63,449	604	171	85,373
Total Current Assets	<u>1,050</u>	<u>200,643</u>	<u>207,039</u>	<u>738</u>	<u>1,936</u>	<u>411,406</u>
Other noncurrent assets	-	-	-	-	1,150	1,150
Total Assets	<u>\$ 1,050</u>	<u>\$ 200,643</u>	<u>\$ 207,039</u>	<u>\$ 738</u>	<u>\$ 3,086</u>	<u>\$ 412,556</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Warrants outstanding	\$ -	\$ 465	\$ 172	\$ 1	\$ -	\$ 638
Accounts payable and other liabilities:	-	7,895	101,372	-	9	109,276
Amounts due to other funds	-	-	1	-	-	1
Deferred revenue	-	21,150	63,449	737	-	85,336
Total Current Liabilities	<u>-</u>	<u>29,510</u>	<u>164,995</u>	<u>738</u>	<u>9</u>	<u>195,251</u>
Long-Term Liabilities:						
Deferred revenue	-	-	-	-	9	9
Total Liabilities	<u>-</u>	<u>29,510</u>	<u>164,995</u>	<u>738</u>	<u>17</u>	<u>195,260</u>
Fund Balances:						
Reserves for:						
Budgetary carry-forwards:						
Encumbrances	-	23,252	105	-	-	23,356
Multi-year projects	-	29,678	2,063	-	-	31,741
Noncurrent assets	-	-	-	-	1,150	1,150
Total Reserved	<u>-</u>	<u>52,929</u>	<u>2,168</u>	<u>-</u>	<u>1,150</u>	<u>56,248</u>
Unreserved	<u>1,050</u>	<u>118,204</u>	<u>39,876</u>	<u>-</u>	<u>1,918</u>	<u>161,049</u>
Total Fund Balances	<u>1,050</u>	<u>171,134</u>	<u>42,044</u>	<u>-</u>	<u>3,069</u>	<u>217,297</u>
Total Liabilities and Fund Balances	<u>\$ 1,050</u>	<u>\$ 200,643</u>	<u>\$ 207,039</u>	<u>\$ 738</u>	<u>\$ 3,086</u>	<u>\$ 412,556</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	SCHOOL BOND LOAN FUND	TOBACCO SETTLEMENT TRUST FUND	MICHIGAN MERIT AWARD TRUST FUND	ASSIGNED CLAIMS FACILITY AND PLAN FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	TOTALS SEPTEMBER 30, 2001
REVENUES						
Miscellaneous	\$ -	\$ 141,608	\$ 139,128	\$ 60,755	\$ 235	\$ 341,726
Total Revenues	-	141,608	139,128	60,755	235	341,726
EXPENDITURES						
Current:						
General government	422	51,371	18,834	60,012	-	130,639
Education	-	764	87,644	-	-	88,408
Public safety and corrections	-	-	-	-	24	24
Labor, commerce, and regulatory	-	25,001	-	-	-	25,001
Health services	-	45,876	-	-	-	45,876
Debt Service:						
Bond interest and fiscal charges	2,219	-	-	-	-	2,219
Total Expenditures	2,641	123,013	106,478	60,012	24	292,167
Excess of Revenues over (under) Expenditures	(2,641)	18,596	32,650	743	211	49,559
OTHER FINANCING SOURCES (USES)						
Bonds and notes issued	81,300	-	-	-	-	81,300
Premium on bond issuance	301	-	-	-	-	301
Refunding bonds issued	37	-	-	-	-	37
Transfers to other funds	(64,008)	(20,000)	-	(743)	(1,060)	(85,810)
Total Other Financing Sources (Uses)	17,631	(20,000)	-	(743)	(1,060)	(4,172)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	14,990	(1,404)	32,650	-	(848)	45,387
Fund Balances - Beginning of fiscal year - restated	(13,940)	172,538	9,395	-	3,917	171,909
Fund Balances - End of fiscal year	\$ 1,050	\$ 171,134	\$ 42,044	\$ -	\$ 3,069	\$ 217,297

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)**

<u>Statutory/Budgetary Basis</u>	<u>TOBACCO SETTLEMENT TRUST FUND</u>			<u>MICHIGAN MERIT AWARD TRUST FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES AND OTHER SOURCES						
Miscellaneous	\$ 141,608	\$ 141,608	\$ -	\$ 139,128	\$ 139,128	\$ -
Total Revenues and Other Sources	141,608	141,608	-	139,128	139,128	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Career Development	34,213	34,213	-	-	-	-
Colleges and Universities Grants	10,000	764	9,236	117,853	87,644	30,209
Community Health	94,289	59,916	34,373	-	-	-
Management and Budget	50,000	50,000	-	-	-	-
Treasury	30,917	21,371	9,545	18,949	18,939	10
Total Expenditures, Transfers Out, and Encumbrances	219,419	166,264	53,154	136,802	106,583	30,219
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (77,810)</u>	<u>(24,656)</u>	<u>\$ 53,154</u>	<u>\$ 2,326</u>	<u>32,545</u>	<u>\$ 30,219</u>
Reconciling Items:						
Encumbrances at September 30		23,252			105	
Funds not annually budgeted		-			-	
Net Reconciling Items		23,252			105	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>(1,404)</u>			<u>32,650</u>	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated		172,538			9,395	
Ending balances (GAAP Basis)		<u>\$ 171,134</u>			<u>\$ 42,044</u>	

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS**
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED					
	SCHOOL BOND LOAN FUND	ASSIGNED CLAIMS FACILITY AND PLAN FUND	MISCELLANEOUS SPECIAL REVENUE FUNDS	TOTALS		
	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE
<u>Statutory/Budgetary Basis</u>						
REVENUES AND OTHER SOURCES						
Miscellaneous	\$ -	\$ -	\$ -	\$ 280,737	\$ 280,737	\$ -
Total Revenues and Other Sources	-	-	-	280,737	280,737	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Career Development	-	-	-	34,213	34,213	-
Colleges and Universities Grants	-	-	-	127,853	88,408	39,445
Community Health	-	-	-	94,289	59,916	34,373
Management and Budget	-	-	-	50,000	50,000	-
Treasury	-	-	-	49,866	40,310	9,556
Total Expenditures, Transfers Out, and Encumbrances	-	-	-	356,221	272,848	83,373
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	-	-	-	<u>\$ (75,484)</u>	<u>7,889</u>	<u>\$ 83,373</u>
Reconciling Items:						
Encumbrances at September 30	-	-	-		23,356	
Funds not annually budgeted	14,990	-	(848)		14,142	
Net Reconciling Items	14,990	-	(848)		37,498	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	14,990	-	(848)		45,387	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated	(13,940)	-	3,917		171,909	
Ending balances (GAAP Basis)	<u>\$ 1,050</u>	<u>\$ -</u>	<u>\$ 3,069</u>		<u>\$ 217,297</u>	

DEBT SERVICE FUNDS

COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 51 of 1951, as amended, to account for debt service on all State Trunkline Fund-related bond issues. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for transportation purposes by Article 9, Section 9, of the Michigan State Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund. Debt service requirements are funded by annual appropriations in the State Trunkline Fund.

COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 51 of 1951, as amended, to account for debt service on all Comprehensive Transportation Fund-related bond issues. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for comprehensive transportation purposes by Article 9, Section 9, of the Michigan State Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund. Debt service requirements are funded by annual appropriations in the Comprehensive Transportation Fund.

RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND

Public Acts 326 and 327 of 1988 established this fund to service bond issues of the Recreation Bond Fund-Local Projects, Recreation Bond Fund-State Projects, and the Environmental Protection Bond Fund. Also pursuant to P.A. 284 of 1998 and Part 196 of P.A. 451 of 1994, the fund services bond issues of the Clean Michigan Initiative Bond Fund-Local Projects, Clean Michigan Initiative Bond Fund-State Projects, and Clean Michigan Initiative Bond Fund-Environmental Projects. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund.

SCHOOL LOAN BOND REDEMPTION FUND

Public Act 74 of 1955 and P. A. 112 of 1961 created this fund to account for debt service on general obligation bonds issued to finance loans to local school districts. The School Bond Loan Fund, a special revenue fund, receives the State bond proceeds and makes the loans. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education. Public Act 248 of 1988 also permits Authority bonding of state equipment.

The Authority's projects are financed by revenue bonds, the proceeds of which can only be used for construction and debt service on projects related to particular bond issues. During construction, debt service requirements are financed by a portion of the bond proceeds that are dedicated for that purpose. For completed projects, the resources to finance bond interest and redemption are provided by transfers from the General Fund and from investment earnings of this fund. When a project is completed, the remaining net assets are transferred to this fund where they are invested and used for debt service. Excess balances related to a particular bond series remaining in the fund after the final payment on the bond series are transferred to the General Fund.

MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY

The Michigan Underground Storage Tank Financial Assurance Finance Authority was established in 1993 and operates under Part 215 of P.A. 451 of 1994, as amended, to provide financing for the activities of the Michigan Underground Storage Tank Financial Assurance Fund. A five-member board of directors governs the Authority.

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
 SEPTEMBER 30, 2001
 (In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
ASSETS			
Current Assets:			
Cash	\$ -	\$ -	\$ -
Equity in common cash	-	-	1
Amounts due from other funds	-	-	-
Investments	-	-	-
Other current assets	-	-	-
Total Current Assets	-	-	1
Investments	-	-	-
Total Assets	\$ -	\$ -	\$ 1
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable and other liabilities	\$ -	\$ -	\$ 1
Amounts due to other funds	-	-	-
Total Current Liabilities	-	-	1
Total Liabilities	-	-	1
Fund Balances:			
Unreserved	-	-	-
Total Fund Balances	-	-	-
Total Liabilities and Fund Balances	\$ -	\$ -	\$ 1

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
 SEPTEMBER 30, 2001
 (In Thousands)

	SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY	TOTALS SEPTEMBER 30, 2001
ASSETS				
Current Assets:				
Cash	\$ -	\$ -	\$ 4,611	\$ 4,611
Equity in common cash	-	-	5,785	5,786
Amounts due from other funds	-	102	-	102
Investments	-	178,255	87,060	265,316
Other current assets	-	833	-	833
Total Current Assets	-	179,190	97,457	276,648
Investments	-	48,099	-	48,099
Total Assets	\$ -	\$ 227,290	\$ 97,457	\$ 324,747
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Accounts payable and other liabilities	\$ -	\$ 58	\$ 4,642	\$ 4,700
Amounts due to other funds	-	326	1,000	1,326
Total Current Liabilities	-	384	5,642	6,027
Total Liabilities	-	384	5,642	6,027
Fund Balances:				
Unreserved	-	226,906	91,815	318,721
Total Fund Balances	-	226,906	91,815	318,721
Total Liabilities and Fund Balances	\$ -	\$ 227,290	\$ 97,457	\$ 324,747

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND
REVENUES			
Miscellaneous	\$ -	\$ 1	\$ -
Total Revenues	-	1	-
EXPENDITURES			
Current:			
General government	-	-	534
Education	-	-	-
Transportation	-	293	-
Debt Service:			
Bond principal retirement	18,670	10,465	29,902
Bond interest and fiscal charges	29,526	11,233	34,779
Total Expenditures	48,196	21,991	65,216
Excess of Revenues over (under) Expenditures	(48,195)	(21,990)	(65,216)
OTHER FINANCING SOURCES (USES)			
Premium on bond issuance	-	600	7,069
Refunding bonds issued	-	27,765	97,985
Payment to refunded bond escrow agent	-	(28,072)	(104,520)
Transfers from other funds	48,196	21,698	64,682
Transfers to other funds	-	(1)	-
Total Other Financing Sources (Uses)	48,195	21,990	65,216
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	-
Fund Balances - Beginning of fiscal year	-	-	-
Fund Balances - End of fiscal year	\$ -	\$ -	\$ -

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2001

(In Thousands)

	SCHOOL LOAN BOND REDEMPTION FUND	STATE BUILDING AUTHORITY	MICHIGAN UNDERGROUND STORAGE TANK FINANCIAL ASSURANCE FINANCE AUTHORITY	TOTALS SEPTEMBER 30, 2001
REVENUES				
Miscellaneous	\$ -	\$ 17,260	\$ 3,502	\$ 20,764
Total Revenues	-	17,260	3,502	20,764
EXPENDITURES				
Current:				
General government	472	-	48	1,054
Education	-	2,244	-	2,244
Transportation	-	-	-	293
Debt Service:				
Bond principal retirement	12,490	133,675	14,350	219,552
Bond interest and fiscal charges	14,273	100,466	9,485	199,761
Total Expenditures	27,236	236,385	23,882	422,905
Excess of Revenues over (under) Expenditures	(27,236)	(219,125)	(20,380)	(402,141)
OTHER FINANCING SOURCES (USES)				
Premium on bond issuance	6,488	13,559	-	27,716
Refunding bonds issued	85,295	419,730	-	630,775
Payment to refunded bond escrow agent	(91,311)	(474,820)	-	(698,723)
Transfers from other funds	26,763	254,304	57,912	473,555
Transfers to other funds	-	(281)	(4,000)	(4,283)
Total Other Financing Sources (Uses)	27,236	212,491	53,912	429,039
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	(6,634)	33,532	26,898
Fund Balances - Beginning of fiscal year	-	233,540	58,283	291,822
Fund Balances - End of fiscal year	\$ -	\$ 226,906	\$ 91,815	\$ 318,721

CAPITAL PROJECTS FUNDS

COMBINED RECREATION BOND FUND - STATE PROJECTS

Established in 1988, this fund currently operates under Parts 196 and 715 of P.A. 451 of 1994, as amended. The balances remaining in the fund reflect proceeds and investment earnings remaining from two bond packages: \$70 million of general obligation bonds approved by voters in November 1988 as part of a \$140 million bond package for financing State and local public recreation projects, and \$50 million of general obligation bonds approved by voters in November 1998 as part of a \$675 million bond package known as the "Clean Michigan Initiative." The proceeds from the 1988 bond package are used to construct, expand, and develop recreational facilities at State parks. The proceeds from the 1998 bond package are used for infrastructure improvements at State parks with the installation or upgrade of drinking water systems or rest room facilities as a first priority.

ADVANCE FINANCING FUNDS

The Advance Financing Funds reflects the activities of two sub-funds: the State Building Authority Advance Financing Fund and the Site Preparation Economic Development Fund.

The State Building Authority Advance Financing Fund was administratively established to account for expenditures incurred for equipment, higher education, and State projects prior to the issuance of State Building Authority bonds. Appropriation acts and concurrent resolutions provide temporary financing of such expenditures for legislatively authorized projects. Expenditures on behalf of the State Building Authority are recorded when incurred. At year-end, any deficit in the common cash pool is reclassified as a payable to the General Fund. In addition to advance expenditures, expenditures financed by the General Fund or other sources related to State Building Authority projects are recorded in this fund.

The State Building Authority, in its separately issued statements, does not recognize liabilities for these projects until bonds or commercial paper are issued; therefore, no receivable from the Authority is recognized in this fund prior to bond or commercial paper issuance. This results in the fund showing a year-end fund balance deficit. The Authority will reimburse this fund by recording a transfer and the deficit attributable to the bonded projects will be eliminated when the Authority issues bonds or obtains commercial paper.

The Site Preparation Economic Development Fund was created by P.A. 265 of 1999 to account for expenditures incurred to prepare and sell State owned sites declared as surplus that would provide economic benefit to the area or State. Expenditures are recorded when incurred. Sale proceeds of fund properties are deposited into the fund.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education. Public Act 248 of 1988 also permits Authority bonding of State equipment. The Authority's five board members are appointed by the Governor.

This capital projects fund, accounts for the construction of State projects, certain equipment financing, and higher education related projects. Transfers out reflect transfers to the debt service fund of proceeds dedicated for debt service during construction, reimbursements of expenditures to the State Building Authority Advance Financing Fund, and the transfer of net assets remaining after the completion of a project to the debt service fund. In the State's Government-wide Financial Statements, accumulated expenditures for incomplete projects are reflected as "construction in progress" and completed projects are recorded as "buildings."

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2001
 (In Thousands)

	COMBINED RECREATION BOND FUND- STATE PROJECTS	ADVANCE FINANCING FUNDS	STATE BUILDING AUTHORITY	TOTALS SEPTEMBER 30, 2001
ASSETS				
Current Assets:				
Equity in common cash	\$ 2,265	\$ -	\$ -	\$ 2,265
Amounts due from other funds	534	125,832	318	126,685
Amounts due from component units	-	14,381	-	14,381
Amounts due from federal agencies	-	2,353	-	2,353
Amounts due from local units	-	11,957	-	11,957
Investments	-	-	30,995	30,995
Other current assets	-	6,602	191	6,793
Total Current Assets	<u>2,800</u>	<u>161,126</u>	<u>31,505</u>	<u>195,430</u>
Total Assets	<u>\$ 2,800</u>	<u>\$ 161,126</u>	<u>\$ 31,505</u>	<u>\$ 195,430</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	\$ 17	\$ 4,252	\$ -	\$ 4,268
Accounts payable and other liabilities	3,845	158,636	501	162,982
Amounts due to other funds	534	173,697	125,934	300,166
Interest payable	-	-	478	478
Total Current Liabilities	<u>4,396</u>	<u>336,585</u>	<u>126,913</u>	<u>467,895</u>
Total Liabilities	<u>4,396</u>	<u>336,585</u>	<u>126,913</u>	<u>467,895</u>
Fund Balances:				
Reserves for:				
Construction and debt service	-	-	15,494	15,494
Total Reserved	<u>-</u>	<u>-</u>	<u>15,494</u>	<u>15,494</u>
Unreserved	<u>(1,596)</u>	<u>(175,460)</u>	<u>(110,902)</u>	<u>(287,958)</u>
Total Fund Balances	<u>(1,596)</u>	<u>(175,460)</u>	<u>(95,409)</u>	<u>(272,464)</u>
Total Liabilities and Fund Balances	<u>\$ 2,800</u>	<u>\$ 161,126</u>	<u>\$ 31,505</u>	<u>\$ 195,430</u>

Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES CAPITAL PROJECTS FUNDS FISCAL YEAR ENDED SEPTEMBER 30, 2001 (In Thousands)

	COMBINED RECREATION BOND FUND- STATE PROJECTS	ADVANCE FINANCING FUNDS	STATE BUILDING AUTHORITY	TOTALS SEPTEMBER 30, 2001
REVENUES				
From federal agencies	\$ -	\$ 5,763	\$ -	\$ 5,763
Miscellaneous	801	1,357	8,268	10,426
Total Revenues	801	7,120	8,268	16,189
EXPENDITURES				
Current:				
General government	-	6,404	-	6,404
Education	-	9,428	189,142	198,569
Capital outlay	17,017	110,692	117,651	245,361
Total Expenditures	17,017	126,524	306,793	450,334
Excess of Revenues over (under) Expenditures	(16,216)	(119,404)	(298,525)	(434,145)
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	-	373,550	373,550
Premium on bond issuance	-	-	12,454	12,454
Extinguishment of commercial paper	-	-	(40,680)	(40,680)
Transfers from other funds	-	18,224	-	18,224
Transfers to other funds	(2)	(15,198)	(32,436)	(47,635)
Total Other Financing Sources (Uses)	(2)	3,026	312,889	315,913
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(16,218)	(116,378)	14,364	(118,232)
Fund Balances - Beginning of fiscal year - restated	14,622	(59,082)	(109,773)	(154,232)
Fund Balances - End of fiscal year	\$ (1,596)	\$ (175,460)	\$ (95,409)	\$ (272,464)

PERMANENT FUNDS

MICHIGAN NATURAL RESOURCES TRUST FUND

The State Constitution was amended in 1984 to provide for the Michigan Natural Resources Trust Fund. The fund, established in 1985, operates under Part 19 of P.A. 451 of 1994, as amended. Most rentals, royalties, and other revenues derived from mineral, coal, oil, and gas interests on State-owned land are credited to the fund. Public Act 451 of 1994 directs a portion (50%, up to \$10 million per year) of these revenues to the Michigan State Parks Endowment Fund.

In accordance with statutory provisions, this fund is to accumulate up to \$400 million in reserves for permanent investments. The amount accumulated toward this cap is shown as a reservation of fund balance. Investment earnings and one-third of royalty earnings are available for appropriation. Two-thirds of royalty earnings, less the portion transferred to the Michigan State Park Endowment Fund, are added to amounts held for permanent investments until the investment reserve reaches \$200 million. After that time, all royalties, less the portion transferred to the Michigan State Park Endowment Fund, are restricted for investment and only interest is available for appropriation. Appropriations are used to fund grants to local units of government as well as State agencies to acquire or develop public recreation facilities.

MICHIGAN STATE PARKS ENDOWMENT FUND

Established in 1994, this fund operates under Part 741 of P.A. 451 of 1994, as amended, to finance operations, maintenance, and capital improvements at Michigan State parks. The fund was established with a \$40 million transfer from the sale of the Accident Fund of Michigan to provide funds for permanent investment. By statute, up to \$10 million per year of revenues from oil and gas bonuses, rentals, and royalties from State-owned land are deposited into this fund until the Michigan Natural Resources Trust Fund reaches an accumulated principal of \$400 million after which time all revenue previously going to that fund will go to this fund. The fund's investment reserve will be capped at \$800 million. The legislature is limited to appropriating no more than \$5 million, adjusted for inflation since 1994, each year from the fund until the cap is attained. When the fund's reserve reaches \$800 million, only the interest and earnings in excess of the amount needed to maintain the \$800 million principal limit may be expended.

MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND

Public Act 394 of 1994, as amended, established this fund for the purpose of conserving, improving, and developing the State's natural resources, and for enhancing, preserving, and maintaining public lands and waters through the employment of residents of this State in work training programs.

Twenty million dollars earmarked from the sale of the Accident Fund of Michigan provided the fund's permanent investment reserve. Only the interest and earnings of the fund can be expended.

MICHIGAN VETERANS' TRUST FUND

Public Act 9 of 1946 (First Extra Session) created this fund to finance programs to assist veterans and their beneficiaries. A seven-member board of trustees governs the fund. Resources are provided by investment and common cash earnings and by transfers from the General Fund. Expenditures and transfers out reflect grants to veterans and their widows or dependents, and administrative costs at both the State and local level. The fund is administered within the Department of Military and Veterans Affairs.

CHILDREN'S TRUST FUND

Public Act 249 of 1982 established the Children's Trust Fund to support the State Child Abuse and Neglect Prevention Board. The Board was established under P.A. 250 of 1982 to coordinate and fund activities for the prevention of child abuse and neglect in the State.

Public Act 291 of 2000 provided for a transfer of \$13.1 million from the General Fund during fiscal year 1999-2000 to bring the fund's total assets to an amount exceeding \$20 million. Only the earnings credited to the fund are available for disbursement once the total assets of the fund exceed \$20 million corpus. Revenues are derived primarily from grants from the federal government, gifts and donations, and interest on investments.

COMBINING BALANCE SHEET
PERMANENT FUNDS
SEPTEMBER 30, 2001
(In Thousands)

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	CHILDREN'S TRUST FUND	TOTALS SEPTEMBER 30, 2001
ASSETS						
Current Assets:						
Equity in common cash	\$ 33,292	\$ 12,251	\$ 19,127	\$ 6,323	\$ 6,265	\$ 77,259
Amounts due from local units	-	-	-	114	-	114
Other current assets	10,755	1,704	1	419	322	13,202
Total Current Assets	<u>44,047</u>	<u>13,956</u>	<u>19,128</u>	<u>6,857</u>	<u>6,587</u>	<u>90,575</u>
Investments	<u>235,633</u>	<u>95,495</u>	<u>2,006</u>	<u>43,670</u>	<u>15,205</u>	<u>392,009</u>
Total Assets	<u>\$ 279,680</u>	<u>\$ 109,450</u>	<u>\$ 21,134</u>	<u>\$ 50,527</u>	<u>\$ 21,792</u>	<u>\$ 482,583</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Warrants outstanding	\$ 861	\$ 44	\$ 8	\$ 2	\$ 24	\$ 939
Accounts payable and other liabilities	8,741	477	200	298	96	9,812
Amounts due to other funds	5	3	-	6	-	13
Amounts due to component units	-	-	-	159	-	159
Total Current Liabilities	<u>9,607</u>	<u>524</u>	<u>208</u>	<u>464</u>	<u>120</u>	<u>10,923</u>
Total Liabilities	<u>9,607</u>	<u>524</u>	<u>208</u>	<u>464</u>	<u>120</u>	<u>10,923</u>
Fund Balances:						
Reserves for:						
Budgetary carry-forwards:						
Encumbrances	16,192	545	66	-	72	16,876
Multi-year projects	29,509	1,262	-	-	-	30,771
Funds held as permanent investments	191,682	101,067	20,006	49,000	21,177	382,932
Total Reserved	<u>237,383</u>	<u>102,874</u>	<u>20,072</u>	<u>49,000</u>	<u>21,249</u>	<u>430,579</u>
Unreserved	<u>32,690</u>	<u>6,053</u>	<u>854</u>	<u>1,062</u>	<u>423</u>	<u>41,082</u>
Total Fund Balances	<u>270,073</u>	<u>108,927</u>	<u>20,927</u>	<u>50,062</u>	<u>21,672</u>	<u>471,660</u>
Total Liabilities and Fund Balances	<u>\$ 279,680</u>	<u>\$ 109,450</u>	<u>\$ 21,134</u>	<u>\$ 50,527</u>	<u>\$ 21,792</u>	<u>\$ 482,583</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS**

**FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)**

	MICHIGAN NATURAL RESOURCES TRUST FUND	MICHIGAN STATE PARKS ENDOWMENT FUND	MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND	MICHIGAN VETERANS' TRUST FUND	CHILDREN'S TRUST FUND	TOTALS SEPTEMBER 30, 2001
REVENUES						
From federal agencies	\$ -	\$ -	\$ -	\$ -	\$ 781	\$ 781
Miscellaneous	78,304	11,733	1,187	5,128	2,807	99,158
Total Revenues	78,304	11,733	1,187	5,128	3,588	99,940
EXPENDITURES						
Current:						
Family independence services	-	-	-	-	2,590	2,590
Public safety and corrections	-	-	-	3,866	-	3,866
Conservation, environment, recreation, and agriculture	11,027	5,289	2,260	-	-	18,576
Capital outlay	18,451	1,175	-	-	-	19,626
Total Expenditures	29,478	6,464	2,260	3,866	2,590	44,658
Excess of Revenues over (under) Expenditures	48,826	5,268	(1,073)	1,261	999	55,282
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	-	10,000	-	-	53	10,053
Transfers to other funds	(10,044)	(30)	(7)	(28)	(11)	(10,121)
Total Other Financing Sources (Uses)	(10,044)	9,970	(7)	(28)	41	(69)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	38,781	15,239	(1,080)	1,233	1,040	55,213
Fund Balances - Beginning of fiscal year - restated	231,292	93,688	22,006	48,830	20,632	416,447
Fund Balances - End of fiscal year	\$ 270,073	\$ 108,927	\$ 20,927	\$ 50,062	\$ 21,672	\$ 471,660

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
PERMANENT FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2001

(In Thousands)

Statutory/Budgetary Basis	MICHIGAN NATURAL RESOURCES TRUST FUND			MICHIGAN STATE PARKS ENDOWMENT FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	78,304	78,304	-	11,733	11,733	-
Transfers in	-	-	-	10,000	10,000	-
Total Revenues and Other Sources	78,304	78,304	-	21,733	21,733	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Family Independence Agency	-	-	-	-	-	-
Military and Veterans Affairs	-	-	-	-	-	-
Natural Resources	61,771	55,714	6,057	7,056	7,039	16
Total Expenditures, Transfers Out, and Encumbrances	61,771	55,714	6,057	7,056	7,039	16
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ 16,533	22,590	\$ 6,057	\$ 14,677	14,693	\$ 16
Reconciling Items:						
Encumbrances at September 30		16,192			545	
Net Reconciling Items		16,192			545	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		38,781			15,239	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated		231,292			93,688	
Ending balances (GAAP Basis)		\$ 270,073			\$ 108,927	

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
PERMANENT FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2001

(In Thousands)

Statutory/Budgetary Basis	MICHIGAN CIVILIAN CONSERVATION CORPS ENDOWMENT FUND			MICHIGAN VETERANS' TRUST FUND		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	1,187	1,187	-	5,128	5,128	-
Transfers in	-	-	-	-	-	-
Total Revenues and Other Sources	1,187	1,187	-	5,128	5,128	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Family Independence Agency	-	-	-	-	-	-
Military and Veterans Affairs	-	-	-	4,737	3,895	842
Natural Resources	2,333	2,333	-	-	-	-
Total Expenditures, Transfers Out, and Encumbrances	2,333	2,333	-	4,737	3,895	842
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	<u>\$ (1,146)</u>	<u>(1,146)</u>	<u>\$ -</u>	<u>\$ 391</u>	<u>1,233</u>	<u>\$ 842</u>
Reconciling Items:						
Encumbrances at September 30		66			-	
Net Reconciling Items		66			-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		<u>(1,080)</u>			<u>1,233</u>	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated		<u>22,006</u>			<u>48,830</u>	
Ending balances (GAAP Basis)		<u>\$ 20,927</u>			<u>\$ 50,062</u>	

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
PERMANENT FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2001

(In Thousands)

Statutory/Budgetary Basis	CHILDREN'S TRUST FUND			TOTALS		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
REVENUES AND OTHER SOURCES						
From federal agencies	\$ 781	\$ 781	\$ -	\$ 781	\$ 781	\$ -
Miscellaneous	2,807	2,807	-	99,158	99,158	-
Transfers in	53	53	-	10,053	10,053	-
Total Revenues and Other Sources	3,641	3,641	-	109,992	109,992	-
EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY						
Family Independence Agency	2,903	2,673	230	2,903	2,673	230
Military and Veterans Affairs	-	-	-	4,737	3,895	842
Natural Resources	-	-	-	71,160	65,087	6,073
Total Expenditures, Transfers Out, and Encumbrances	2,903	2,673	230	78,800	71,655	7,145
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	\$ 738	968	\$ 230	\$ 31,193	38,337	\$ 7,145
Reconciling Items:						
Encumbrances at September 30		72			16,876	
Net Reconciling Items		72			16,876	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		1,040			55,213	
FUND BALANCES (GAAP BASIS)						
Beginning balances - restated		20,632			416,447	
Ending balances (GAAP Basis)		\$ 21,672			\$ 471,660	

INTERNAL SERVICE FUNDS

CORRECTIONAL INDUSTRIES REVOLVING FUND

Created by P.A. 210 of 1935 and continued by P.A. 15 of 1968, this fund accounts for the financial transactions of a manufacturing and processing industry, employing inmates incarcerated in Michigan's correctional institutions. Public Act 245 of 1980 expanded the fund's sales market to include institutions of this or any other state or political subdivision thereof, the federal government or its agencies, and certain tax-exempt organizations.

Public Act 205 of 1986 stipulates that the fund repay the General Fund for the cost of building and equipping prison factories included as part of new prison construction. The costs of buildings and equipment are to be repaid over 30 years and 10 years respectively. The repayment provisions, as stipulated in Executive Order 1992-13, resulted in no required payment in fiscal year 2000-2001, however \$1 million was paid against the principal because sufficient cash was available.

MOTOR TRANSPORT FUND

This fund was created by P.A. 260 of 1947 and continued by P.A. 431 of 1984 to provide vehicle and travel services for State agencies. Activities include lease, purchase, replacement, and maintenance of automotive equipment. Vehicles are available to agencies on a permanently assigned basis or through the motor pool for short-term usage and are furnished to agencies at a rate sufficient to cover all costs of operation and maintenance. Agencies are billed on a monthly basis for services rendered.

OFFICE SERVICES REVOLVING FUND

Created by P.A. 262 of 1952, this fund provides services in the following areas: printing, reproduction, microfilm, mailing, distribution of federal and state surplus property, and materials management. The cost of the services or supplies is charged to user departments and agencies. Resultant revenue is credited to the revolving fund and is used for administration and operation of the program, including purchase of necessary equipment.

INFORMATION TECHNOLOGY AND ENERGY FUND

This fund was created by administrative decision to provide telecommunication and information technology services for State agencies. User agencies are billed for the cost of such services. During fiscal year 1999-2000, the use of the fund was expanded to account for the purchase of bulk gas used by State agencies.

RISK MANAGEMENT FUND

Administratively established, this fund accounts for certain centralized risk management functions performed by the Department of Management and Budget for other State agencies. Currently, the fund has assumed a degree of risk for the automotive liability. This activity and administrative functions are recorded as operating activity of the fund. An activity of the fund for which the fund assumes no risk is the centralized processing of workers' compensation payments for State agencies. Workers' compensation long-term claim liabilities are recorded in the Government-wide Financial Statements and the related current year workers' compensation expenditures are recorded in the applicable funds.

STATE SPONSORED GROUP INSURANCE FUND

This fund was administratively established to reflect the financial transactions of the State sponsored insurance plans that provide health, long-term disability, life, vision, and dental coverage for participating employees and retirees. The plans' funding methods range from those where the State is fully self-insured to those where an outside carrier assumes partial risk on a contracted basis. A note to the Government-wide Financial Statements entitled "Risk Management" provides additional information about this fund.

The amounts reflected as amounts due from other funds include reclassifications of other funds' negative balances in the common cash pool.

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2001
 (In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
ASSETS			
Current Assets:			
Cash	\$ -	\$ -	\$ 17
Equity in common cash	4,677	-	-
Amounts due from other funds	-	-	-
Inventories	15,897	259	2,608
Other current assets	263	18,580	467
Total Current Assets	<u>20,838</u>	<u>18,840</u>	<u>3,092</u>
Capital Assets:			
Buildings and equipment	43,046	16,943	26,332
Allowance for depreciation	(19,470)	(12,037)	(13,579)
Total capital assets	<u>23,576</u>	<u>4,906</u>	<u>12,753</u>
Other noncurrent assets	-	955	-
Total Assets	<u>\$ 44,414</u>	<u>\$ 24,701</u>	<u>\$ 15,844</u>
LIABILITIES			
Current Liabilities:			
Warrants outstanding	\$ 571	\$ 40	\$ 903
Accounts payable and other liabilities	2,896	2,840	2,258
Amounts due to other funds	88	13,530	6,129
Deferred revenue	-	38	63
Current portion of other long-term obligations	102	21	1,324
Total Current Liabilities	<u>3,656</u>	<u>16,469</u>	<u>10,676</u>
Long-Term Liabilities:			
Advances from other funds	7,210	-	-
Noncurrent portion of other long-term obligations	1,044	369	4,471
Total Liabilities	<u>\$ 11,911</u>	<u>\$ 16,838</u>	<u>\$ 15,147</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 23,576	\$ 4,906	\$ 8,986
Restricted for other purposes	8,927	2,957	-
Unrestricted	-	-	(8,289)
Total Net Assets	<u>\$ 32,503</u>	<u>\$ 7,863</u>	<u>\$ 697</u>

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2001
(In Thousands)

	INFORMATION TECHNOLOGY AND ENERGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS SEPTEMBER 30, 2001
ASSETS				
Current Assets:				
Cash	\$ -	\$ -	\$ 20	\$ 38
Equity in common cash	-	10,106	122,457	137,241
Amounts due from other funds	-	-	40,163	40,163
Inventories	951	-	-	19,716
Other current assets	233	-	3,587	23,129
Total Current Assets	1,184	10,106	166,228	220,287
Capital Assets:				
Buildings and equipment	187,509	4	10,253	284,087
Allowance for depreciation	(122,553)	(4)	(2,293)	(169,936)
Total capital assets	64,956	-	7,960	114,151
Other noncurrent assets	-	-	88,065	89,020
Total Assets	\$ 66,140	\$ 10,106	\$ 262,253	\$ 423,458
LIABILITIES				
Current Liabilities:				
Warrants outstanding	\$ 4,171	\$ 51	\$ 670	\$ 6,405
Accounts payable and other liabilities	15,240	2,084	9,805	35,122
Amounts due to other funds	6,672	4	-	26,422
Deferred revenue	4,851	-	185	5,138
Current portion of other long-term obligations	10,221	2,252	99,665	113,586
Total Current Liabilities	41,156	4,391	110,325	186,672
Long-Term Liabilities:				
Advances from other funds	-	-	-	7,210
Noncurrent portion of other long-term obligations	17,048	4,349	84,008	111,289
Total Liabilities	\$ 58,204	\$ 8,740	\$ 194,332	\$ 305,172
NET ASSETS				
Invested in capital assets, net of related debt	\$ 39,919	\$ -	\$ 7,960	\$ 85,347
Restricted for other purposes	-	-	-	11,884
Unrestricted	(31,983)	1,366	59,960	21,055
Total Net Assets	\$ 7,936	\$ 1,366	\$ 67,920	\$ 118,286

Michigan

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
OPERATING REVENUES			
Operating revenues	\$ 40,589	\$ 68,181	\$ 57,860
Total Operating Revenues	40,589	68,181	-
OPERATING EXPENSES			
Salaries, wages, and other administrative	22,430	5,693	27,191
Depreciation	1,544	669	2,829
Purchases for resale	-	-	29,229
Purchases for prison industries	15,528	-	-
Premiums and claims	-	2,494	55
Other operating expenses:			
Leased vehicles expense	-	36,903	-
Vehicle maintenance expense	-	24,663	-
Total other operating expenses	-	61,566	-
Total Operating Expenses	39,502	70,421	59,305
Operating Income (Loss)	1,087	(2,240)	(1,445)
NONOPERATING REVENUES (EXPENSES)			
Other nonoperating revenues	-	-	-
Interest expense	(219)	-	(184)
Other nonoperating expense	(74)	(11)	(2,819)
Total Nonoperating Revenues (Expenses)	(293)	(11)	(3,003)
Income (Loss) Before Transfers	794	(2,251)	(4,448)
TRANSFERS			
Transfers to other funds	(186)	(30)	(28)
Total Transfers In (Out)	(186)	(30)	(28)
Change in net assets	608	(2,281)	(4,476)
Total net assets - Beginning of fiscal year	31,895	10,144	5,173
Total net assets - End of fiscal year	\$ 32,503	\$ 7,863	\$ 697

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	INFORMATION TECHNOLOGY AND ENERGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS SEPTEMBER 30, 2001
OPERATING REVENUES				
Operating revenues	\$ 121,390	\$ 2,858	\$ 786,062	\$ 1,076,940
Total Operating Revenues	121,390	2,858	786,062	1,076,940
OPERATING EXPENSES				
Salaries, wages, and other administrative	71,992	1,266	39,512	168,084
Depreciation	30,544	-	1,990	37,576
Purchases for resale	16,956	-	-	46,185
Purchases for prison industries	-	-	-	15,528
Premiums and claims	-	1,174	700,989	704,712
Other operating expenses:				
Leased vehicles expense	-	-	-	36,903
Vehicle maintenance expense	-	-	-	24,663
Total other operating expenses	-	-	-	61,566
Total Operating Expenses	119,492	2,440	742,491	1,033,651
Operating Income (Loss)	1,898	418	43,571	43,289
NONOPERATING REVENUES (EXPENSES)				
Other nonoperating revenues	-	-	11,410	11,410
Interest expense	(680)	-	-	(1,083)
Other nonoperating expense	(225)	-	-	(3,130)
Total Nonoperating Revenues (Expenses)	(905)	-	11,410	7,198
Income (Loss) Before Transfers	993	418	54,981	50,487
TRANSFERS				
Transfers to other funds	-	-	-	(244)
Total Transfers In (Out)	-	-	-	(244)
Change in net assets	993	418	54,981	50,243
Total net assets - Beginning of fiscal year	6,943	948	12,939	68,043
Total net assets - End of fiscal year	\$ 7,936	\$ 1,366	\$ 67,920	\$ 118,286

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT FUND	OFFICE SERVICES REVOLVING FUND
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 40,590	\$ 66,888	\$ 57,744
Payments to employees	(13,136)	(3,730)	(12,898)
Payments to suppliers	(15,547)	(67,038)	(44,705)
Claims paid	-	-	-
Other receipts	-	590	-
Other payments	(9,248)	-	-
Net cash provided (used) by operating activities	\$ 2,660	\$ (3,290)	\$ 140
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Loans or loan repayments from other funds	\$ -	\$ 3,188	\$ 1,486
Loans or loan repayments to other funds	(1,000)	-	-
Transfers to other funds	(186)	(30)	(28)
Net cash provided (used) by noncapital financing activities	\$ (1,186)	\$ 3,158	\$ 1,459
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	\$ (1,841)	\$ (312)	\$ (654)
Principal paid on bond and loan maturities	-	-	-
Interest paid	(219)	-	-
Capital lease payments (including imputed interest expense)	-	-	(1,543)
Proceeds from sale of capital assets	-	410	131
Net cash provided (used) by capital and related financing activities	\$ (2,060)	\$ 98	\$ (2,066)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	\$ -	\$ -	\$ -
Net cash provided (used) by investing activities	\$ -	\$ -	\$ -
Net cash provided (used) - all activities	\$ (587)	\$ (34)	\$ (468)
Cash and cash equivalents at beginning of year	4,693	(6)	(418)
Cash and cash equivalents at end of year	\$ 4,107	\$ (40)	\$ (885)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,087	\$ (2,240)	\$ (1,445)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	1,544	669	2,829
Amortization of pre-paid expense	-	-	93
Other reconciling items	-	-	-
Net changes in assets and liabilities:			
Inventories	(303)	28	(550)
Other assets (net)	3	(1,675)	(144)
Accounts payable and other liabilities	329	(72)	(644)
Net cash provided (used) by operating activities	\$ 2,660	\$ (3,290)	\$ 140
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Cost of capital assets acquisitions financed by capital leases	\$ -	\$ -	\$ 1,978
Capital lease liabilities entered into during the year	-	-	(1,978)
Gain (loss) on disposal of capital assets	(74)	-	(2,819)
Total noncash investing, capital, and financing activities	\$ (74)	\$ -	\$ (2,819)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	INFORMATION TECHNOLOGY AND ENERGY FUND	RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	TOTALS SEPTEMBER 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 122,874	\$ 2,796	\$ 783,869	\$ 1,074,760
Payments to employees	(19,415)	(747)	-	(49,926)
Payments to suppliers	(67,252)	(458)	(190,061)	(385,061)
Claims paid	-	(2,590)	(542,457)	(545,048)
Other receipts	-	1,416	-	2,006
Other payments	(2,083)	-	(5,151)	(16,482)
Net cash provided (used) by operating activities	\$ 34,124	\$ 417	\$ 46,200	\$ 80,250
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loans or loan repayments from other funds	\$ (247)	\$ -	\$ -	\$ 4,427
Loans or loan repayments to other funds	-	-	(4,427)	(5,427)
Transfers to other funds	-	-	-	(244)
Net cash provided (used) by noncapital financing activities	\$ (247)	\$ -	\$ (4,427)	\$ (1,244)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(23,937)	\$ -	\$ (4,650)	\$ (31,394)
Principal paid on bond and loan maturities	(6,881)	-	-	(6,881)
Interest paid	-	-	-	(219)
Capital lease payments (including imputed interest expense)	(6,545)	-	-	(8,089)
Proceeds from sale of capital assets	-	-	-	541
Net cash provided (used) by capital and related financing activities	\$ (37,363)	\$ -	\$ (4,650)	\$ (46,041)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends on investments	\$ -	\$ -	\$ 11,410	\$ 11,410
Net cash provided (used) by investing activities	\$ -	\$ -	\$ 11,410	\$ 11,410
Net cash provided (used) - all activities	\$ (3,487)	\$ 417	\$ 48,532	\$ 44,375
Cash and cash equivalents at beginning of year	(685)	9,638	73,275	86,499
Cash and cash equivalents at end of year	\$ (4,171)	\$ 10,055	\$ 121,808	\$ 130,873
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,898	\$ 418	\$ 43,571	\$ 43,289
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	30,544	-	1,990	37,576
Amortization of pre-paid expense	-	-	-	93
Other reconciling items	21	-	-	21
Net changes in assets and liabilities:				
Inventories	(477)	-	-	(1,302)
Other assets (net)	148	-	(2,402)	(4,070)
Accounts payable and other liabilities	1,991	(1)	3,041	4,644
Net cash provided (used) by operating activities	\$ 34,124	\$ 417	\$ 46,200	\$ 80,250
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Cost of capital assets acquisitions financed by capital leases	\$ 17,357	\$ -	\$ -	\$ 19,335
Capital lease liabilities entered into during the year	(17,357)	-	-	(19,335)
Gain (loss) on disposal of capital assets	(225)	-	-	(3,118)
Total noncash investing, capital, and financing activities	\$ (225)	\$ -	\$ -	\$ (3,118)

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

Notes to the financial statements, entitled "Deferred Compensation Plans" and "Pension Benefits and Other Postemployment Benefits," include additional information regarding the following funds and plans.

STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS

The State Employees' Deferred Compensation Fund I (457) and the State Employees' Deferred Compensation Fund II (401k) are combined for reporting purposes. Both funds were administratively established to account for deferred compensation plans that permit State employees to defer a portion of their income until future years. Executive Order 1999-7 transferred administration of the plans from the Department of Treasury to the Department of Management and Budget. However, the State Treasurer continues to oversee investment options.

LEGISLATIVE RETIREMENT FUND

Public Act 261 of 1957 created the Legislative Retirement System (LRS) to provide retirement and other benefits for members of the Legislature, the presiding officers, and their surviving spouses or children. Participants in the system have a deduction from each salary payment to partially finance the fund. Legislative appropriations, interest on fund investments, and court fees complete the financing.

Public Act 486 of 1996 amended LRS's enabling legislation to provide that members elected after March 31, 1997, participate in the State's defined contribution plan.

STATE POLICE RETIREMENT FUND

This fund was created by P.A. 251 of 1935 and later superseded by P.A. 182 of 1986. A nine-member board, under the direction of a chairperson elected from the membership, administers the fund to provide retirement benefits for State Police officers. Financing is provided by investment income and by an annual legislative appropriation.

STATE EMPLOYEES' RETIREMENT FUND

This fund was established by P.A. 240 of 1943 and is administered by a nine-member board under the direction of an Executive Secretary. Public Act 216 of 1974 eliminated the requirement for member contributions and provided for financing by legislative appropriation and investment earnings.

Effective March 31, 1997, P.A. 487 of 1996 closed the plan to new applicants. All new employees become members of the State's defined contribution plan. The public act also allows returning employees and members who left state employment on or before March 31, 1997, to elect the defined benefit plan instead of the defined contribution plan.

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND

In accordance with P.A. 300 of 1980, on October 1, 1981, the Public School Employees' Chapter I Retirement Fund merged with the Public School Employees' Chapter II Retirement Fund to establish the Public School Employees' Retirement Fund. Public Acts 136 of 1945 and 259 of 1974, respectively, created the two original funds. An eight-member board governs administrative policy.

Employer contributions and investment earnings provide financing for the fund. Under P.A. 91 of 1985, employees may contribute additional amounts into a "member investment plan."

JUDGES' RETIREMENT FUND

Public Act 234 of 1992 authorized the merger of the Probate Judges' Retirement Fund into the Judges' Retirement Fund by requiring the consolidation of all assets, rights, and obligations under the former Judges' and Probate Judges' Retirement Funds. The Judges' Retirement Board, with the director of the Office of Retirement Systems as the Executive Secretary, administers the consolidated fund. Financing comes from member contributions, court filing fees as provided under law, investment earnings, and legislative appropriations.

Public Act 523 of 1996, effective March 31, 1997, closed the plan to new entrants. Judges or state officials newly appointed or elected on or after March 31, 1997, become members of the State's defined contribution plan.

STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND

This fund was established by P.A. 487 of 1996 as a defined contribution pension plan for all state employees hired after March 31, 1997, and for those members of the State Employees' Retirement (defined benefit) System, Judges' Retirement System, and Legislative Retirement System who elected to transfer to this plan. Executive Order 1999-7 transferred administration of the fund from the Department of Treasury to the Department of Management and Budget. However, the State Treasurer shall continue to oversee investment options.

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
SEPTEMBER 30, 2001
(In Thousands)**

	STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS	LEGISLATIVE RETIREMENT FUND	STATE POLICE RETIREMENT FUND	STATE EMPLOYEES' RETIREMENT FUND
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ 108
Equity in common cash	1,032	4,054	7,020	44,692
Receivables:				
Employee	79,363	-	-	-
Employer	213	339	-	778
Interest and dividends	-	193	3,781	35,653
Due from other funds	-	-	1,763	13,364
Sale of investments	-	-	16	340
Investments at fair value:				
Short-term investments	177,166	-	60,017	598,335
Bonds, notes, mortgages, and preferred stock	-	18,293	213,396	1,994,246
Common stock	-	63,710	427,071	3,931,888
Real estate	-	-	98,236	938,533
Alternative investments	-	-	160,315	1,495,217
International investments	-	-	69,019	631,404
Mutual funds	1,308,934	72,497	-	-
Pooled investment funds	1,436,530	-	-	-
Money market funds	85,524	-	-	-
Securities lending collateral	-	-	44,764	408,715
Capital assets:				
Buildings and equipment	-	-	-	6
Allowance for depreciation	-	-	-	(6)
Total capital assets	-	-	-	-
Total Assets	<u>\$ 3,088,761</u>	<u>\$ 159,087</u>	<u>\$ 1,085,397</u>	<u>\$ 10,093,272</u>
LIABILITIES				
Warrants outstanding	\$ -	\$ 37	\$ 331	\$ 3,852
Accounts payable and other liabilities	-	655	4,373	41,161
Amounts due to other funds	-	1	-	-
Obligations under security lending	-	-	44,764	408,715
Total Liabilities	<u>\$ -</u>	<u>\$ 693</u>	<u>\$ 49,468</u>	<u>\$ 453,728</u>
NET ASSETS				
Net assets held in trust for pension, postemployment health-care, and other employee benefits	<u>\$ 3,088,761</u>	<u>\$ 158,393</u>	<u>\$ 1,035,929</u>	<u>\$ 9,639,544</u>
Reconciliation of net assets held in trust:				
Pension benefits	\$ -	\$ 152,698	\$ 1,038,440	\$ 9,616,517
Postemployment health-care benefits	-	5,695	(2,511)	23,027
Other employee benefits	3,088,761	-	-	-
Total net assets held in trust for benefits	<u>\$ 3,088,761</u>	<u>\$ 158,393</u>	<u>\$ 1,035,929</u>	<u>\$ 9,639,544</u>

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
SEPTEMBER 30, 2001
(In Thousands)**

	PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND	TOTALS SEPTEMBER 30, 2001
ASSETS				
Cash	\$ 457	\$ -	\$ -	\$ 565
Equity in common cash	96,412	4,327	31	157,568
Receivables:				
Employee	-	-	13,409	92,772
Employer	355,988	105	14	357,437
Interest and dividends	125,682	1,047	-	166,355
Due from other funds	-	-	-	15,126
Sale of investments	1,196	3	-	1,555
Investments at fair value:				
Short-term investments	2,703,797	20,255	81,710	3,641,279
Bonds, notes, mortgages, and preferred stock	6,974,547	59,129	-	9,259,610
Common stock	14,338,965	109,531	-	18,871,164
Real estate	3,172,623	31,777	-	4,241,169
Alternative investments	5,217,511	33,243	-	6,906,286
International investments	2,271,316	15,943	-	2,987,682
Mutual funds	-	-	144,091	1,525,522
Pooled investment funds	-	-	71,951	1,508,482
Money market funds	-	-	2,737	88,261
Securities lending collateral	1,483,052	9,731	-	1,946,262
Capital assets:				
Buildings and equipment	18	-	-	24
Allowance for depreciation	(18)	-	-	(24)
Total capital assets	-	-	-	-
Total Assets	\$ 36,741,544	\$ 285,091	\$ 313,943	\$ 51,767,096
LIABILITIES				
Warrants outstanding	\$ 9,073	\$ 64	\$ -	\$ 13,357
Accounts payable and other liabilities	226,191	1,070	-	273,451
Amounts due to other funds	-	-	-	1
Obligations under security lending	1,483,052	9,731	-	1,946,262
Total Liabilities	\$ 1,718,316	\$ 10,866	\$ -	\$ 2,233,072
NET ASSETS				
Net assets held in trust for pension, postemployment health-care, and other employee benefits	\$ 35,023,228	\$ 274,226	\$ 313,943	\$ 49,534,024
Reconciliation of net assets held in trust:				
Pension benefits	\$ 34,810,222	\$ 274,728	\$ 313,943	\$ 46,206,548
Postemployment health-care benefits	213,005	(503)	-	238,714
Other employee benefits	-	-	-	3,088,761
Total net assets held in trust for benefits	\$ 35,023,228	\$ 274,226	\$ 313,943	\$ 49,534,024

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	STATE EMPLOYEES' DEFERRED COMPENSATION FUNDS	LEGISLATIVE RETIREMENT FUND	STATE POLICE RETIREMENT FUND	STATE EMPLOYEES' RETIREMENT FUND
ADDITIONS				
Contributions:				
From participants	\$ 165,962	\$ 380	\$ 1,463	\$ 9,135
From employers	4,848	3,348	44,646	361,926
From other plans	2,852	-	-	-
Investment income:				
Net appreciation (depreciation) in fair value of investments	(688,756)	(24,579)	(167,724)	(1,547,999)
Interest, dividends, and other	203,532	5,694	31,457	299,173
Securities lending income	-	-	1,486	13,564
Less investment expense:				
Investment activity expense	-	518	1,649	15,372
Securities lending expense	-	-	1,368	12,488
Net investment income (loss)	(485,224)	(19,402)	(137,799)	(1,263,120)
Miscellaneous income	1,814	1,068	-	2
Total Additions	(309,748)	(14,606)	(91,690)	(892,058)
DEDUCTIONS				
Benefits paid to participants or beneficiaries	149,665	6,274	60,407	478,525
Medical, dental, and life insurance for retirants	-	2,956	23,024	248,246
Refunds and transfers to other systems	466	12	-	92
Administrative expense	6,254	245	299	4,147
Total Deductions	156,384	9,487	83,730	731,010
Net increase (decrease)	(466,132)	(24,093)	(175,420)	(1,623,068)
Net assets held in trust for pension, postemployment health-care, and other employee benefits - Beginning of fiscal year - restated	3,554,894	182,487	1,211,349	11,262,612
Net assets held in trust for pension, postemployment health-care, and other employee benefits - End of fiscal year	\$ 3,088,761	\$ 158,393	\$ 1,035,929	\$ 9,639,544
Reconciliation of net increase in assets:				
Net increase (decrease) in assets held in trust for pension benefits	\$ -	\$ (25,144)	\$ (174,243)	\$ (1,631,416)
Net increase (decrease) in assets held in trust for postemployment benefits	-	1,050	(1,177)	8,347
Net increase (decrease) in assets held in trust for other employee benefits	(466,132)	-	-	-
Total net increase (decrease)	\$ (466,132)	\$ (24,093)	\$ (175,420)	\$ (1,623,068)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	STATE EMPLOYEES' DEFINED CONTRIBUTION RETIREMENT FUND	TOTALS SEPTEMBER 30, 2001
ADDITIONS				
Contributions:				
From participants	\$ 410,033	\$ 2,650	\$ 15,211	\$ 604,833
From employers	1,158,197	-	41,278	1,614,243
From other plans	-	-	21	2,873
Investment income:				
Net appreciation (depreciation) in fair value of investments	(5,574,288)	(40,547)	(68,017)	(8,111,910)
Interest, dividends, and other	1,058,618	9,795	13,352	1,621,621
Securities lending income	49,219	323	-	64,592
Less investment expense:				
Investment activity expense	53,350	270	-	71,159
Securities lending expense	45,312	297	-	59,465
Net investment income (loss)	(4,565,114)	(30,996)	(54,666)	(6,556,321)
Miscellaneous income	138	-	113	3,134
Total Additions	(2,996,746)	(28,346)	1,956	(4,331,238)
DEDUCTIONS				
Benefits paid to participants or beneficiaries	1,890,812	15,793	22,831	2,624,308
Medical, dental, and life insurance for retirants	456,257	505	-	730,990
Refunds and transfers to other systems	19,908	976	2	21,455
Administrative expense	58,683	500	914	71,041
Total Deductions	2,425,661	17,775	23,747	3,447,794
Net increase (decrease)	(5,422,407)	(46,120)	(21,791)	(7,779,032)
Net assets held in trust for pension, postemployment health-care, and other employee benefits - Beginning of fiscal year - restated	40,445,634	320,346	335,734	57,313,056
Net assets held in trust for pension, postemployment health-care, and other employee benefits - End of fiscal year	\$ 35,023,228	\$ 274,226	\$ 313,943	\$ 49,534,024
Reconciliation of net increase in assets:				
Net increase (decrease) in assets held in trust for pension benefits	\$ (5,502,118)	\$ (45,961)	\$ (21,791)	\$ (7,400,673)
Net increase (decrease) in assets held in trust for postemployment benefits	79,712	(160)	-	87,773
Net increase (decrease) in assets held in trust for other employee benefits	-	-	-	(466,132)
Total net increase (decrease)	\$ (5,422,407)	\$ (46,120)	\$ (21,791)	\$ (7,779,032)

PRIVATE PURPOSE TRUST FUNDS

ESCHEATS FUND

The Escheats Fund operates under the authority of P.A. 29 of 1995 and is used to account for unclaimed property escheated to the State. All property, including any income or increment derived from the property, is subject to the custody of (escheated to) the State when certain criteria contained within the Act are met. Proceeds of the fund pay the administrative costs and prompt claims allowed under the Act. The administrator transfers all remaining proceeds received under this Act to the General Fund.

GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND

This fund was administratively established to account for gifts, bequests, and deposits donated or entrusted to the State. Gifts and donations to the State may only be expended when appropriated by the Legislature and in accordance with any applicable external restrictions. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool.

HOSPITAL PATIENTS' TRUST FUND

Public Act 258 of 1974 established this fund to account for funds of patients receiving services in State hospitals. The Department of Community Health, in conjunction with the State Treasury, acts as the trustee of this fund. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool. The Department of Community Health distributes interest on a monthly basis to patients meeting minimum balance requirements.

This fund was administratively created, as required by FHA regulations, to account for escrow deposits held to provide for payment of taxes, insurance, and property maintenance for mortgage investments held by certain State pension funds.

MICHIGAN EDUCATION SAVINGS PROGRAM

Public Act 161 of 2000 established the Michigan Education Savings Program (MESP) as an entity within the Department of Treasury. MESP is a college-tuition savings plan that is designed to collect and invest deposits made by contributors, for purposes of financing tuition on behalf of future students. Investment earnings, held in trust by MESP, are Federal and State tax-deferred until the student is ready to attend college. The Federal government and the State both offer tax deductions for contributions made each year.

WORKERS' DISABILITY COMPENSATION TRUST FUNDS

This fund was administratively created to comply with court orders for bankrupt employers to pay obligations due under the Michigan Workers' Disability Compensation Act.

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
 SEPTEMBER 30, 2001
 (In Thousands)

	ESCHEATS FUND	GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND	HOSPITAL PATIENTS' TRUST FUND
ASSETS			
Cash	\$ -	\$ 3	\$ 29
Equity in common cash	21,060	24,030	377
Receivables:			
Interest and dividends	-	373	-
Investments at fair value:			
Short-term investments	-	-	-
Bonds, notes, mortgages, and preferred stock	-	14,289	-
Common stock	-	85	-
Mutual funds	-	6	-
Pooled investment funds	-	-	-
Other current assets	1,275	3,516	-
Total Assets	\$ 22,335	\$ 42,301	\$ 405
LIABILITIES			
Warrants outstanding	\$ 1,026	\$ 1,021	\$ 46
Accounts payable and other liabilities	274	4,573	7
Total Liabilities	\$ 1,300	\$ 5,594	\$ 53
NET ASSETS			
Net assets held in trust for other purposes	\$ 21,034	\$ 36,707	\$ 353

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
 SEPTEMBER 30, 2001
 (In Thousands)

	FEDERAL HOUSING ADMINISTRATION MORTGAGES ESCROW FUND	MICHIGAN EDUCATION SAVINGS PROGRAM	WORKERS' DISABILITY COMPENSATION TRUST FUNDS	TOTALS SEPTEMBER 30, 2001
ASSETS				
Cash	\$ -	\$ 355	\$ -	\$ 386
Equity in common cash	720	-	1,325	47,511
Receivables:				
Interest and dividends	3	-	-	376
Investments at fair value:				
Short-term investments	164	-	-	164
Bonds, notes, mortgages, and preferred stock	-	-	-	14,289
Common stock	-	-	-	85
Mutual funds	-	51,314	-	51,319
Pooled investment funds	-	4,437	-	4,437
Other current assets	-	339	-	5,130
Total Assets	\$ 887	\$ 56,444	\$ 1,325	\$ 123,697
LIABILITIES				
Warrants outstanding	\$ 108	\$ -	\$ -	\$ 2,202
Accounts payable and other liabilities	-	464	-	5,318
Total Liabilities	\$ 108	\$ 464	\$ -	\$ 7,519
NET ASSETS				
Net assets held in trust for other purposes	\$ 779	\$ 55,980	\$ 1,325	\$ 116,178

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	ESCHEATS FUND	GIFTS, BEQUESTS AND DEPOSITS INVESTMENTS FUND	HOSPITAL PATIENTS' TRUST FUND
ADDITIONS			
Contributions:			
From participants	\$ -	\$ -	\$ -
From clients	-	34,439	2,865
From gifts, bequests, and endowments	-	177	-
Investment income:			
Net appreciation (depreciation) in fair value of investments	-	55	-
Interest, dividends, and other	-	1,536	34
Less investment expense:			
Investment activity expense	-	-	-
Net investment income (loss)	-	1,592	34
Escheated property	33,492	-	-
Miscellaneous income	-	1,086	-
Transfers from other funds	740	-	-
Total Additions	<u>34,232</u>	<u>37,294</u>	<u>2,899</u>
DEDUCTIONS			
Benefits paid to participants or beneficiaries	-	-	-
Refunds and transfers to other systems	-	-	-
Amounts distributed to clients or third parties	-	34,038	3,341
Administrative expense	-	3	-
Transfers to other funds	34,904	2,176	-
Total Deductions	<u>34,904</u>	<u>36,217</u>	<u>3,341</u>
Net increase (decrease)	(672)	1,078	(443)
Net assets held in trust for others - Beginning of fiscal year - restated	-	35,629	795
Net assets held in trust for others - End of fiscal year	<u>\$ 21,034</u>	<u>\$ 36,707</u>	<u>\$ 353</u>
Reconciliation of net increase in assets:			
Net increase (decrease) in assets held in trust for other purposes	<u>\$ (672)</u>	<u>\$ 1,078</u>	<u>\$ (443)</u>
Total net increase (decrease)	<u>\$ (672)</u>	<u>\$ 1,078</u>	<u>\$ (443)</u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	FEDERAL HOUSING ADMINISTRATION MORTGAGES ESCROW FUND	MICHIGAN EDUCATION SAVINGS PROGRAM	WORKERS' DISABILITY COMPENSATION TRUST FUNDS	TOTALS SEPTEMBER 30, 2001
ADDITIONS				
Contributions:				
From participants	\$ -	\$ 62,849	\$ -	\$ 62,849
From clients	-	-	-	37,304
From gifts, bequests, and endowments	-	-	-	177
Investment income:				
Net appreciation (depreciation) in fair value of investments	-	(6,704)	-	(6,649)
Interest, dividends, and other	7	843	68	2,489
Less investment expense:				
Investment activity expense	-	119	-	119
Net investment income (loss)	7	(5,981)	68	(4,280)
Escheated property	-	-	-	33,492
Miscellaneous income	58	1	-	1,145
Transfers from other funds	-	-	-	740
Total Additions	65	56,869	68	131,428
DEDUCTIONS				
Benefits paid to participants or beneficiaries	-	888	-	888
Refunds and transfers to other systems	-	1	-	1
Amounts distributed to clients or third parties	508	-	-	37,887
Administrative expense	-	-	5	8
Transfers to other funds	-	-	505	37,585
Total Deductions	508	889	510	76,369
Net increase (decrease)	(442)	55,980	(442)	55,059
Net assets held in trust for others - Beginning of fiscal year - restated	1,221	-	1,767	61,119
Net assets held in trust for others - End of fiscal year	\$ 779	\$ 55,980	\$ 1,325	\$ 116,178
Reconciliation of net increase in assets:				
Net increase (decrease) in assets held in trust for other purposes	\$ (442)	\$ 55,980	\$ (442)	\$ 55,059
Total net increase (decrease)	\$ (442)	\$ 55,980	\$ (442)	\$ 55,059

AGENCY FUNDS

ENVIRONMENTAL QUALITY DEPOSITS FUND

This fund was established to account for deposits for which the Department of Environmental Quality has legal custody as provided by various statutes.

INSURANCE CARRIER DEPOSITS FUND

This fund was administratively established to account for deposits held by the State Treasurer on behalf of insurance carriers who are licensed or authorized to write insurance in the State and are required by P.A. 218 of 1956, as amended, to provide such deposits. All deposits are in the form of various securities and other acceptable assets.

STATE TREASURER'S ESCROW AND PAYING AGENT FUND

This fund was administratively created and is used to account for investments held in escrow by the State Treasurer as fiscal agent for hospitals, which have defeased Michigan State Hospital Finance Authority (MSHFA) bonds.

CHILD SUPPORT COLLECTION FUND

This fund was administratively established to account for the activity of the Michigan State Disbursement Unit (MISDU). MISDU, administered by the Family Independence Agency, was created to provide a single location within the State for the receipt and disbursement of child support payments.

Michigan

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
 SEPTEMBER 30, 2001
 (In Thousands)

	ENVIRONMENTAL QUALITY DEPOSITS FUND	INSURANCE CARRIER DEPOSITS FUND	STATE TREASURER'S ESCROW AND PAYING AGENT FUND	CHILD SUPPORT COLLECTION FUND	TOTALS SEPTEMBER 30, 2001
ASSETS					
Cash	\$ -	\$ -	\$ 1,162	\$ 6,773	\$ 7,935
Equity in common cash	3,407	1,018	-	-	4,425
Investments at fair value:					
Short-term investments	-	-	17,174	-	17,174
Bonds, notes, mortgages, and preferred stock	-	-	103,421	-	103,421
Other current assets	-	-	4,156	172	4,329
Other noncurrent assets	-	349,587	-	-	349,587
Total Assets	<u>\$ 3,407</u>	<u>\$ 350,605</u>	<u>\$ 125,914</u>	<u>\$ 6,946</u>	<u>\$ 486,872</u>
LIABILITIES					
Warrants outstanding	\$ -	\$ 145	\$ -	\$ -	\$ 145
Accounts payable and other liabilities	3,407	590	23,222	6,731	33,950
Amounts due to other funds	-	-	-	215	215
Other long-term liabilities	-	349,871	102,691	-	452,562
Total Liabilities	<u>\$ 3,407</u>	<u>\$ 350,605</u>	<u>\$ 125,914</u>	<u>\$ 6,946</u>	<u>\$ 486,872</u>

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	BALANCE OCTOBER 1, 2000	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 2001
FINANCIAL INSTITUTIONS DEPOSITS FUND				
ASSETS				
Other noncurrent assets	\$ 1,500	\$ -	\$ 1,500	\$ -
Total Assets	\$ 1,500	\$ -	\$ 1,500	\$ -
LIABILITIES				
Other long-term liabilities	\$ 1,500	\$ -	\$ 1,500	\$ -
Total Liabilities	\$ 1,500	\$ -	\$ 1,500	\$ -
ENVIRONMENTAL QUALITY DEPOSITS FUND				
ASSETS				
Equity in common cash	\$ 2,440	\$ 1,469	\$ 502	\$ 3,407
Total Assets	\$ 2,440	\$ 1,469	\$ 502	\$ 3,407
LIABILITIES				
Accounts payable and other liabilities	\$ 2,440	\$ 1,469	\$ 502	\$ 3,407
Total Liabilities	\$ 2,440	\$ 1,469	\$ 502	\$ 3,407
INSURANCE CARRIER DEPOSITS FUND				
ASSETS				
Equity in common cash	\$ 2,579	\$ 48,665	\$ 50,225	\$ 1,018
Other noncurrent assets	357,396	110,390	118,199	349,587
Total Assets	\$ 359,975	\$ 159,055	\$ 168,424	\$ 350,605
LIABILITIES				
Warrants outstanding	\$ 4	\$ 141	\$ -	\$ 145
Accounts payable and other liabilities	2,291	51,431	53,133	590
Other long-term liabilities	357,680	110,390	118,199	349,871
Total Liabilities	\$ 359,975	\$ 161,962	\$ 171,332	\$ 350,605

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

	BALANCE OCTOBER 1, 2000	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 2001
STATE TREASURER'S ESCROW AND PAYING AGENT FUND				
ASSETS				
Cash	\$ 1,281	\$ 30,656	\$ 30,775	\$ 1,162
Equity in common cash	-	44	44	-
Investments at fair value:				
Short-term investments	15,629	18,350	16,804	17,174
Bonds, notes, mortgages, and preferred stock	120,303	3,039	19,921	103,421
Other current assets	4,627	13,067	13,538	4,156
	<u>141,840</u>	<u>65,155</u>	<u>81,082</u>	<u>125,914</u>
Total Assets	\$ 141,840	\$ 65,155	\$ 81,082	\$ 125,914
LIABILITIES				
Accounts payable and other liabilities	\$ 22,299	\$ 30,353	\$ 29,429	\$ 23,222
Other long-term liabilities	119,542	19,677	36,528	102,691
	<u>141,840</u>	<u>50,030</u>	<u>65,957</u>	<u>125,914</u>
Total Liabilities	\$ 141,840	\$ 50,030	\$ 65,957	\$ 125,914
CHILD SUPPORT COLLECTION FUND				
ASSETS				
Cash	\$ 200	\$ 605,789	\$ 599,215	\$ 6,773
Other current assets	-	172	-	172
	<u>200</u>	<u>605,961</u>	<u>599,215</u>	<u>6,946</u>
Total Assets	\$ 200	\$ 605,961	\$ 599,215	\$ 6,946
LIABILITIES				
Accounts payable and other liabilities	\$ 190	\$ 606,027	\$ 599,486	\$ 6,731
Amounts due to other funds	10	221	17	215
	<u>200</u>	<u>606,248</u>	<u>599,502</u>	<u>6,946</u>
Total Liabilities	\$ 200	\$ 606,248	\$ 599,502	\$ 6,946
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 1,481	\$ 636,445	\$ 629,990	\$ 7,935
Equity in common cash	5,019	50,177	50,771	4,425
Investments at fair value:				
Short-term investments	15,629	18,350	16,804	17,174
Bonds, notes, mortgages, and preferred stock	120,303	3,039	19,921	103,421
Other current assets	4,627	13,239	13,538	4,329
Other noncurrent assets	358,896	110,390	119,699	349,587
	<u>505,955</u>	<u>831,640</u>	<u>850,723</u>	<u>486,872</u>
Total Assets	\$ 505,955	\$ 831,640	\$ 850,723	\$ 486,872
LIABILITIES				
Warrants outstanding	\$ 4	\$ 141	\$ -	\$ 145
Accounts payable and other liabilities	27,219	689,280	682,548	33,950
Amounts due to other funds	10	221	17	215
Other long-term liabilities	478,721	130,067	156,227	452,562
	<u>505,955</u>	<u>819,709</u>	<u>838,793</u>	<u>486,872</u>
Total Liabilities	\$ 505,955	\$ 819,709	\$ 838,793	\$ 486,872

COMPONENT UNITS – AUTHORITIES

MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY

Public Act 295 of 1969, as amended, authorized the creation of the Michigan Higher Education Facilities Authority (MHEFA) for the purpose of assisting private nonprofit institutions of higher education in financing their facilities. MHEFA consists of an eleven-member commission, nine are appointed by the Governor with the advice and consent of the Senate and two are ex officio (the Superintendent of Public Instruction and Director of the Department of Management and Budget). Financing for capital improvements is provided by issuance of limited obligation revenue bonds, however these bonds do not constitute an obligation of the State or MHEFA, therefore no liabilities have been recorded. Annual service fees to higher education institutions finance MHEFA's administrative operations.

MACKINAC BRIDGE AUTHORITY

Public Act 21 of 1950 created the Mackinac Bridge Authority (MBA). Public Act 214 of 1952, as amended, empowered MBA to construct and operate a bridge between the lower and upper peninsulas of Michigan. Fares and earnings on investments finance the operation and maintenance of the bridge. State statutes require that MBA continue charging bridge tolls and repay State funds for all the subsidies provided in prior years.

MICHIGAN STRATEGIC FUND

The Michigan Strategic Fund (MSF) is a public body corporation and politic created by P.A. 270 of 1984 to help diversify the economy of the State and to provide for economic development, primarily by assisting business enterprises to obtain additional sources of financing. Executive Order 1999-1, as amended, transferred all of the economic development functions of the former Department of Commerce and the Michigan Jobs Commission to MSF. The order further placed MSF as an autonomous entity in the Department of Management and Budget. MSF is governed by a board of nine members, consisting of the directors of the State Departments of Consumer and Industry Services and Treasury plus seven members appointed by the Governor with the advice and consent of the Senate.

MICHIGAN STATE HOSPITAL FINANCE AUTHORITY

The Michigan State Hospital Finance Authority (MSHFA) was organized under P.A. 38 of 1969, as amended, to lend money to nonprofit, nonpublic hospitals and health-care corporations for capital improvements or debt refinancing. The Act also empowers MSHFA to sell bonds and to enter into loan and other agreements to obtain the necessary funds for such loans. MSHFA is comprised of seven members including a chairperson and four public members appointed by the Governor with the advice and consent of the Senate, and two members ex officio (the State Treasurer and the Director of the Department of Community Health). Some of MSHFA's revenue and mortgage bonds have been defeased by the various borrowers by placing proceeds of new bonds in an escrow with the State Treasurer or trustee as escrow agent. Such defeased bonds and related investments are reported in the State Treasurer's Escrow and Paying Agent Fund.

MSHFA no longer performs trustee, fiscal agent, registrar, and paying agent functions for bonds payable. The bonds and related assets have been transferred to financial institutions' trust departments. Since these obligations are, in substance, debts of other entities, MSHFA does not reflect the liabilities, assets, revenues and expenditures related to these bonds in its financial statements.

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

Public Act 222 of 1975, as amended, authorized the establishment of the Michigan Higher Education Student Loan Authority (MHESLA) to make loans to qualified students (or their parents) attending participating institutions of higher education. MHESLA may issue revenue-dedicated debt in principal amounts necessary to provide funds for achieving its purpose. A board comprised of the same members as Michigan Higher Education Assistance Authority governs MHESLA. The Governor, with the consent of the Senate, appoints the 15 members. The State Treasurer, an ex officio member, serves as chairman of the board.

MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY

Public Act 77 of 1960, as amended, created the Michigan Higher Education Assistance Authority (MHEAA). It is governed by a 16-member board, appointed by the Governor, with the advice and consent of the Senate. MHEAA is empowered to guarantee 100% of principal and interest on loans to persons (or their parents) attending eligible post-secondary educational institutions in Michigan and to administer scholarship and grant programs in accordance with State laws. The federal government reimburses MHEAA for losses on purchased loans at varying percentages depending upon rates of defaults. Revenues consist of recovery of loan losses, federal reimbursement, loan guarantee fees, and investment income.

MACKINAC ISLAND STATE PARK COMMISSION

Public Act 355 of 1927, as amended, established the Mackinac Island State Park Commission. The Governor, with the advice and consent of the Senate, appoints the seven-member commission. The Commission is responsible for the management of the Mackinac Island and Michilimackinac State Parks and has the authority to issue revenue-dedicated bonds.

STATE BAR OF MICHIGAN

The State Bar of Michigan is an association of lawyers who are licensed to practice in Michigan. It is organized as a public body corporate. Its financial support comes solely from member dues and income from member services. The State Bar's budget is the responsibility of its Board of Commissioners, and it is not subject to State of Michigan appropriation procedures.

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

The Michigan Economic Development Corporation (MEDC), under Article VII, Section 28 of the Michigan State Constitution of 1963 and P.A. of 1967, is a public body corporation. Created by a ten-year contract (inter-local agreement) between participating local economic development corporations formed under P.A. 338 of 1974 and the Michigan Strategic Fund, MEDC is a separate legal entity whose purpose is to stimulate, coordinate and advance economic development in the State. Under the terms of the agreement, the governance of MEDC resides in an executive committee of 17 members appointed to eight-year, staggered terms.

NON-MAJOR COMPONENT UNITS
AUTHORITIES
SEPTEMBER 30, 2001
(In Thousands)

	MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY	MACKINAC BRIDGE AUTHORITY	MICHIGAN STRATEGIC FUND	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
ASSETS					
Current Assets:					
Cash	\$ -	\$ 875	\$ 60	\$ 350	\$ -
Equity in common cash	-	-	134	-	-
Amounts due from component units	-	-	-	-	-
Amounts due from primary government	346	-	-	25	410
Amounts due from federal government	-	-	7,299	-	-
Amounts due from local units	-	-	2	-	-
Inventories	-	-	-	-	-
Investments	-	20,761	-	2,452	-
Other current assets	32	444	5,312	1,041	114,826
Total Current Assets	<u>378</u>	<u>22,080</u>	<u>12,807</u>	<u>3,868</u>	<u>115,236</u>
Restricted assets:					
Cash and cash equivalents	-	-	-	-	114,058
Investments	-	-	-	191	100,200
Mortgages and loans receivable	-	-	-	-	743,943
Investments	-	-	-	6,574	-
Capital assets:					
Land and other non-depreciable assets	-	125	-	-	-
Buildings, equipment, and other depreciable assets	-	7,265	-	68	-
Less accumulated depreciation	-	(2,477)	-	(27)	-
Infrastructure	-	99,564	-	-	-
Construction in progress	-	1,411	-	-	-
Total capital assets	-	105,888	-	41	-
Other noncurrent assets	-	-	-	-	11,150
Total Assets	<u>\$ 378</u>	<u>\$ 127,967</u>	<u>\$ 12,807</u>	<u>\$ 10,674</u>	<u>\$ 1,084,587</u>
LIABILITIES					
Current Liabilities:					
Warrants outstanding	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and other liabilities	-	1,750	7,329	50	1,455
Amounts due to component units	-	-	5,298	-	-
Amounts due to primary government	-	1,358	4	-	-
Bonds and notes payable	-	-	-	-	94,893
Interest payable	-	-	-	-	8,177
Deferred revenue	-	348	-	-	-
Current portion of other long-term obligations	-	-	-	-	2,313
Total Current Liabilities	<u>-</u>	<u>3,456</u>	<u>12,631</u>	<u>50</u>	<u>106,839</u>
Bonds and notes payable	-	-	-	-	834,472
Noncurrent portion of other long-term obligations	-	489	-	411	33,958
Total Liabilities	<u>\$ -</u>	<u>\$ 3,945</u>	<u>\$ 12,631</u>	<u>\$ 461</u>	<u>\$ 975,268</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ -	\$ 105,888	\$ -	\$ 41	\$ -
Restricted for:					
Construction and debt service	-	-	-	-	9,039
Other purposes	-	-	-	-	-
Unrestricted	<u>378</u>	<u>18,135</u>	<u>176</u>	<u>10,173</u>	<u>100,280</u>
Total Net Assets	<u>\$ 378</u>	<u>\$ 124,022</u>	<u>\$ 176</u>	<u>\$ 10,214</u>	<u>\$ 109,319</u>

NON-MAJOR COMPONENT UNITS
AUTHORITIES
SEPTEMBER 30, 2001
(In Thousands)

	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY	MACKINAC ISLAND STATE PARK COMMISSION	STATE BAR OF MICHIGAN	MICHIGAN ECONOMIC DEVELOPMENT CORPORATION	TOTALS SEPTEMBER 30, 2001
ASSETS					
Current Assets:					
Cash	\$ 1,822	\$ 419	\$ 1,414	\$ 23,656	\$ 28,596
Equity in common cash	-	-	-	200,250	200,384
Amounts due from component units	-	-	-	5,298	5,298
Amounts due from primary government	9,752	474	-	-	11,007
Amounts due from federal government	-	-	-	62	7,361
Amounts due from local units	-	-	-	-	2
Inventories	-	520	-	-	520
Investments	5,538	-	2,957	3,654	35,362
Other current assets	1,406	74	526	10,120	133,780
Total Current Assets	18,517	1,487	4,897	243,040	422,311
Restricted assets:					
Cash and cash equivalents	-	985	-	13,888	128,931
Investments	-	3,026	-	-	103,417
Mortgages and loans receivable	-	-	-	18,125	762,068
Investments	-	-	-	77,408	83,982
Capital assets:					
Land and other non-depreciable assets	-	337	381	-	843
Buildings, equipment, and other depreciable assets	-	8,590	11,745	15,563	43,230
Less accumulated depreciation	-	(4,752)	(4,171)	(156)	(11,582)
Infrastructure	-	-	-	-	99,564
Construction in progress	-	-	-	-	1,411
Total capital assets	-	4,175	7,954	15,407	133,465
Other noncurrent assets	-	-	-	-	11,150
Total Assets	\$ 18,517	\$ 9,673	\$ 12,851	\$ 367,868	\$ 1,645,324
LIABILITIES					
Current Liabilities:					
Warrants outstanding	\$ 182	\$ -	\$ -	\$ -	\$ 182
Accounts payable and other liabilities	8,573	169	813	45,563	65,701
Amounts due to component units	-	-	-	-	5,298
Amounts due to primary government	-	88	-	-	1,450
Bonds and notes payable	-	195	204	-	95,293
Interest payable	-	16	-	-	8,193
Deferred revenue	-	-	1,455	51	1,854
Current portion of other long-term obligations	-	-	-	-	2,313
Total Current Liabilities	8,755	467	2,472	45,614	180,283
Bonds and notes payable	-	2,441	4,098	-	841,010
Noncurrent portion of other long-term obligations	474	-	-	16,142	51,474
Total Liabilities	\$ 9,229	\$ 2,908	\$ 6,570	\$ 61,756	\$ 1,072,767
NET ASSETS					
Invested in capital assets, net of related debt	\$ -	\$ 1,539	\$ 3,652	\$ 15,407	\$ 126,527
Restricted for:					
Construction and debt service	-	3,147	-	-	12,186
Other purposes	-	1,384	-	-	1,384
Unrestricted	9,288	695	2,629	290,705	432,459
Total Net Assets	\$ 9,288	\$ 6,765	\$ 6,282	\$ 306,112	\$ 572,557

Michigan

COMBINING STATEMENT OF ACTIVITIES NON-MAJOR COMPONENT UNITS - AUTHORITIES FISCAL YEAR ENDED SEPTEMBER 30, 2001 (In Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	
Michigan Higher Education					
Facilities Authority	\$ 104	\$ 123	\$ -	\$ -	\$ 20
Mackinac Bridge Authority	16,125	10,443	-	-	(5,682)
Michigan Strategic Fund	171,522	1,613	41,195	-	(128,715)
Michigan State Hospital Finance Authority	1,232	1,059	-	-	(173)
Michigan Higher Education					
Student Loan Authority	63,566	64,485	11,364	-	12,283
Michigan Higher Education					
Assistance Authority	153,229	24,741	132,138	-	3,650
Mackinac Island State Park Commission	5,653	3,600	82	-	(1,970)
State Bar of Michigan	8,993	8,892	-	-	(102)
Michigan Economic					
Development Corporation	160,179	-	129,965	-	(30,214)
Total	<u>\$ 580,603</u>	<u>\$ 114,956</u>	<u>\$ 314,743</u>	<u>\$ -</u>	<u>\$ (150,904)</u>
General revenues:					
Interest and investment earnings					6,354
Payments from State of Michigan					117,159
Other					20,186
Total general revenues					<u>143,700</u>
Change in net assets					(7,205)
Net assets -- beginning - restated					<u>579,762</u>
Net assets -- ending					<u>\$ 572,557</u>

COMPONENT UNITS – STATE UNIVERSITIES

The State has thirteen legally separate public universities, ten of which are included in this report as component units and three of which are excluded. Included are the ten universities whose governing boards are appointed by the Governor and for which the State is legally accountable, as prescribed by GASB Statement No. 14. Excluded are those three that have governing boards whose members are elected by the voters and, therefore, considered separate special purpose governments. The three that are excluded are the largest public universities: Michigan State University, University of Michigan, and Wayne State University. Also excluded are the public community colleges, for which local units of government are legally accountable.

The information presented in this report for the ten universities is based upon their separately issued financial statements for the fiscal year ended on June 30, 2001. The universities include Central Michigan University and Western Michigan University presented as major component units and the following non-major component units: Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University.

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
STATE UNIVERSITIES
JUNE 30, 2001
(In Thousands)

	EASTERN MICHIGAN UNIVERSITY	FERRIS STATE UNIVERSITY	GRAND VALLEY STATE UNIVERSITY	LAKE SUPERIOR STATE UNIVERSITY
ASSETS				
Current Assets:				
Cash	\$ 19,350	\$ 23,296	\$ 12,671	\$ 5,028
Amounts due from component units	-	-	106	-
Amounts due from primary government	20,145	12,426	22,239	2,855
Amounts due from federal government	1,316	192	21	377
Amounts due from local units	-	-	-	-
Inventories	555	1,077	1,795	849
Investments	28,199	21,781	36,987	-
Other current assets	18,737	3,538	14,419	657
Total Current Assets	<u>88,303</u>	<u>62,309</u>	<u>88,238</u>	<u>9,765</u>
Restricted assets:				
Cash and cash equivalents	-	-	1,016	-
Mortgages and loans receivable	9,304	16,911	8,044	2,267
Investments	27	27,241	56,547	17,180
Capital assets:				
Land and other non-depreciable assets	10,590	3,389	19,780	7,885
Buildings, equipment, and other depreciable assets	397,728	301,639	313,292	108,911
Less accumulated depreciation	(161,503)	(123,853)	(80,688)	(49,900)
Infrastructure	24,241	6,058	-	1,205
Construction in progress	15,129	3,765	36,499	4,318
Total capital assets	<u>286,184</u>	<u>190,998</u>	<u>288,882</u>	<u>72,419</u>
Other noncurrent assets	<u>1,212</u>	<u>2,081</u>	<u>12,131</u>	<u>-</u>
Total Assets	<u>\$ 385,031</u>	<u>\$ 299,540</u>	<u>\$ 454,858</u>	<u>\$ 101,632</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	\$ 23,713	\$ 11,630	\$ 32,678	\$ 4,696
Amounts due to primary government	715	619	125	165
Bonds and notes payable	4,627	1,905	4,387	659
Interest payable	492	1,471	1,095	207
Deferred revenue	6,090	3,724	7,798	876
Total Current Liabilities	<u>35,638</u>	<u>19,349</u>	<u>46,084</u>	<u>6,604</u>
Deferred revenue	874	826	-	-
Bonds and notes payable	95,061	77,591	79,028	32,831
Noncurrent portion of other long-term obligations	<u>6,640</u>	<u>12,083</u>	<u>2,429</u>	<u>2,692</u>
Total Liabilities	<u>\$ 138,212</u>	<u>\$ 109,849</u>	<u>\$ 127,541</u>	<u>\$ 42,127</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 190,379	\$ 130,607	\$ 208,352	\$ 49,262
Restricted for:				
Education	14,362	32,014	42,175	5,697
Construction and debt service	19,072	10	16,405	1,673
Other purposes	-	-	-	2,598
Unrestricted	<u>23,004</u>	<u>27,060</u>	<u>60,386</u>	<u>274</u>
Total Net Assets	<u>\$ 246,818</u>	<u>\$ 189,691</u>	<u>\$ 327,318</u>	<u>\$ 59,504</u>

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
STATE UNIVERSITIES
JUNE 30, 2001
(In Thousands)

	MICHIGAN TECHNOLOGICAL UNIVERSITY	NORTHERN MICHIGAN UNIVERSITY	OAKLAND UNIVERSITY	SAGINAW VALLEY STATE UNIVERSITY	TOTALS JUNE 30, 2001
ASSETS					
Current Assets:					
Cash	\$ -	\$ 10,973	\$ 13,804	\$ 22,843	\$ 107,965
Amounts due from component units	140	31	49	-	326
Amounts due from primary government	10,570	14,663	9,733	12,074	104,704
Amounts due from federal government	1,986	358	1,470	332	6,053
Amounts due from local units	-	610	-	-	610
Inventories	1,480	1,368	320	204	7,648
Investments	-	744	-	-	87,711
Other current assets	5,678	4,670	7,187	2,443	57,329
Total Current Assets	<u>19,854</u>	<u>33,417</u>	<u>32,563</u>	<u>37,896</u>	<u>372,346</u>
Restricted assets:					
Cash and cash equivalents	-	-	-	-	1,016
Mortgages and loans receivable	10,254	6,540	-	110	53,429
Investments	8,601	18,396	47,360	-	175,352
Capital assets:					
Land and other non-depreciable assets	8,793	3,762	4,325	1,777	60,301
Buildings, equipment, and other depreciable assets	306,597	204,247	275,866	189,620	2,097,899
Less accumulated depreciation	(143,015)	(76,774)	(102,373)	(69,916)	(808,022)
Infrastructure	-	14,224	-	-	45,728
Construction in progress	72	20,589	7,753	31,153	119,277
Total capital assets	<u>172,447</u>	<u>166,047</u>	<u>185,571</u>	<u>152,634</u>	<u>1,515,183</u>
Other noncurrent assets	-	-	2,754	-	18,179
Total Assets	<u>\$ 211,156</u>	<u>\$ 224,400</u>	<u>\$ 268,248</u>	<u>\$ 190,640</u>	<u>\$ 2,135,505</u>
LIABILITIES					
Current Liabilities:					
Accounts payable and other liabilities	\$ 15,040	\$ 13,986	\$ 16,311	\$ 10,501	\$ 128,554
Amounts due to primary government	982	288	261	-	3,156
Bonds and notes payable	273	1,460	1,505	955	15,771
Interest payable	17	-	-	-	3,281
Deferred revenue	2,627	3,198	7,447	2,739	34,500
Total Current Liabilities	<u>18,938</u>	<u>18,931</u>	<u>25,524</u>	<u>14,195</u>	<u>185,263</u>
Deferred revenue	-	-	-	-	1,699
Bonds and notes payable	11,675	41,765	43,725	52,045	433,721
Noncurrent portion of other long-term obligations	941	6,297	4,674	1,759	37,516
Total Liabilities	<u>\$ 31,554</u>	<u>\$ 66,993</u>	<u>\$ 73,923</u>	<u>\$ 67,999</u>	<u>\$ 658,199</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 160,499	\$ 122,822	\$ 136,179	\$ 105,706	\$ 1,103,807
Restricted for:					
Education	14,068	10,610	22,230	4,425	145,581
Construction and debt service	6,476	-	-	-	43,637
Other purposes	-	-	-	-	2,598
Unrestricted	(1,442)	23,975	35,916	12,510	181,683
Total Net Assets	<u>\$ 179,601</u>	<u>\$ 157,407</u>	<u>\$ 194,325</u>	<u>\$ 122,641</u>	<u>\$ 1,477,306</u>

COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - STATE UNIVERSITIES
FISCAL YEAR ENDED JUNE 30, 2001
(In Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	
Eastern Michigan University	\$ 231,120	\$ 116,230	\$ 27,948	\$ 8,550	\$ (78,392)
Ferris State University	158,111	82,113	13,725	21,697	(40,575)
Grand Valley State University	173,335	102,057	14,692	19,079	(37,507)
Lake Superior State University	40,664	17,846	4,264	2,846	(15,708)
Michigan Technological University	161,157	57,358	33,420	3,346	(67,033)
Northern Michigan University	115,387	46,180	13,242	2,263	(53,702)
Oakland University	149,753	77,263	19,944	4,955	(47,591)
Saginaw Valley State University	69,966	33,906	8,996	20	(27,044)
Total	<u>\$ 1,099,492</u>	<u>\$ 532,953</u>	<u>\$ 136,231</u>	<u>\$ 62,756</u>	<u>\$ (367,552)</u>
General revenues:					
Interest and investment earnings					11,130
Payments from State of Michigan					455,283
Other					12,300
Total general revenues					<u>478,713</u>
Change in net assets					111,161
Net assets -- beginning - restated					1,366,144
Net assets -- ending					<u>\$ 1,477,306</u>

COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL AND SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>
TAXES			
Sales	\$ 6,352,306	\$ 1,647,193	\$ 4,705,113
Personal income	7,282,173	5,326,846	1,955,327
Single business	2,022,882	2,022,882	-
Use	1,333,607	889,071	444,536
State education (property)	1,489,552	-	1,489,552
Real estate transfer	252,894	-	252,894
Tobacco products	596,082	213,019	383,063
Beer and wine	50,357	50,357	-
Liquor	86,234	57,829	28,404
Casino gaming wagering	75,415	-	75,415
Horse race wagering	12,520	12,520	-
Intangibles*	(334)	(334)	-
Estate and inheritance	155,469	155,469	-
Telephone and telegraph company	152,523	152,523	-
Commercial mobile radio service	28,756	28,756	-
Insurance company	200,756	200,756	-
Motor vehicle weight	778,201	297	777,903
Gasoline	934,399	-	934,399
Aviation fuel	6,706	-	6,706
Diesel fuel	133,658	-	133,658
Gas and oil severance	61,804	61,804	-
Industrial facilities	131,261	-	131,261
Convention hotel accommodation	17,477	17,477	-
Airport parking	17,059	17,059	-
Penalties and interest	157,377	157,377	-
Other	75,890	2,160	73,730
	<u>22,405,023</u>	<u>11,013,063</u>	<u>11,391,961</u>
FROM FEDERAL AGENCIES			
Department of Health and Human Services	6,284,070	6,284,070	-
Department of Education	836,585	687,958	148,627
Department of Agriculture	955,345	955,345	-
Department of Labor	263,286	147,748	115,538
Department of Housing and Urban Development	5,039	5,039	-
Environmental Protection Agency	36,807	36,807	-
Department of Energy	11,106	11,106	-
Department of Transportation	1,005,561	17,036	988,526
Department of Interior	18,176	15,571	2,605
Department of Defense	20,323	20,323	-
Department of Justice	81,222	81,222	-
Other	48,834	48,539	294
	<u>9,566,353</u>	<u>8,310,763</u>	<u>1,255,590</u>
FROM LOCAL AGENCIES			
Counties	108,031	89,243	18,788
Cities, villages, and townships	16,856	1,123	15,733
Colleges and universities	179	163	17
School districts	1,179	1,179	-
Multi-level governmental units	1,277	-	1,277
Other	100,474	14,969	85,505
	<u>227,996</u>	<u>106,676</u>	<u>121,320</u>
SPECIAL MEDICAID REIMBURSEMENTS	<u>1,155,374</u>	<u>1,155,374</u>	<u>-</u>
	1,155,374	1,155,374	-

COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL AND SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>
FROM SERVICES			
Charges for furnishing vehicle driver records	\$ 29,614	\$ 29,614	\$ -
Revenue for patient, ward, and inmate care	36,162	36,162	-
Other	49,570	48,869	700
	<u>115,346</u>	<u>114,645</u>	<u>700</u>
FROM LICENSES AND PERMITS			
Liquor retailers', manufacturers', and wholesalers' licenses	12,065	12,065	-
Motor vehicle operators' and chauffeurs' licenses	45,892	32,148	13,744
Examination fees - financial institutions and insurance industry	21,842	21,842	-
Concession and privilege fees - State parks	988	-	988
Motor vehicle related	59,429	4,758	54,671
Hunting, fishing, and trapping licenses	48,009	-	48,009
Public utility assessment fees	16,309	16,309	-
Consumer and Industry Services licenses and permits	74,186	62,713	11,473
Auto repair facilities and mechanics licenses and fees	4,337	4,337	-
Corporation franchise fees	12,459	12,459	-
Other	96,139	53,101	43,038
	<u>391,655</u>	<u>219,732</u>	<u>171,923</u>
MISCELLANEOUS			
Income from investments	217,718	71,534	146,184
Tobacco settlement proceeds	261,247	-	261,247
Various fines, fees, and assessments	71,752	45,292	26,461
Court fines, fees, and assessments	93,924	87,004	6,920
Oil and gas royalties, fees, assignments, and rentals	20,444	11,674	8,770
Environmental pollution settlements	17,570	5,821	11,750
State Fair revenue	5,222	5,222	-
Child support	26,629	26,629	-
Other	566,775	258,737	308,038
	<u>1,281,281</u>	<u>511,912</u>	<u>769,369</u>
Total Revenues	<u>35,143,027</u>	<u>21,432,165</u>	<u>13,710,863</u>
OTHER FINANCING SOURCES			
Proceeds from bond issues and bond anticipation notes	854,240	-	854,240
Capital lease acquisitions	23,014	23,014	-
Transfers from other funds:			
From Liquor Purchase Revolving Fund	127,393	127,393	-
From State Lottery Fund	597,386	10,377	587,009
From Escheats Fund	34,904	34,904	-
From other funds	1,924,401	454,375	1,470,026
Total Other Financing Sources	<u>3,561,338</u>	<u>650,063</u>	<u>2,911,275</u>
Total Revenue and Other Financing Sources (GAAP Basis)	<u>\$ 38,704,365</u>	<u>\$ 22,082,227</u>	<u>\$ 16,622,138</u>

* Negative amount represents refunds in excess of revenues collected.

SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2001

(In Thousands)

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL PURPOSE</u>	<u>RESTRICTED REVENUES</u>
TAXES			
Sales	\$ 1,647,193	\$ 76,142	\$ 1,571,051
Personal income	5,326,846	4,756,160	570,687
Single business	2,022,882	2,021,363	1,519
Use	889,071	887,513	1,558
Tobacco products	213,019	146,201	66,818
Beer and wine	50,357	50,357	-
Liquor	57,829	29,345	28,485
Horse race wagering	12,520	2	12,518
Intangibles*	(334)	(334)	-
Estate and inheritance	155,469	155,466	2
Telephone and telegraph company	152,523	152,523	-
Commercial mobile radio service	28,756	-	28,756
Insurance company	200,756	200,739	17
Motor vehicle weight	297	-	297
Gas and oil severance	61,804	60,139	1,666
Convention hotel accommodation	17,477	-	17,477
Airport parking	17,059	-	17,059
Penalties and interest	157,377	150,150	7,227
Other	2,160	1,784	376
	<u>11,013,063</u>	<u>8,687,550</u>	<u>2,325,513</u>
FROM FEDERAL AGENCIES			
Department of Health and Human Services	6,284,070	15,156	6,268,914
Department of Education	687,958	1,658	686,300
Department of Agriculture	955,345	1,328	954,017
Department of Labor	147,748	846	146,902
Department of Housing and Urban Development	5,039	187	4,852
Environmental Protection Agency	36,807	3,622	33,185
Department of Energy	11,106	96	11,010
Department of Transportation	17,036	369	16,666
Department of Interior	15,571	221	15,350
Department of Defense	20,323	25	20,297
Department of Justice	81,222	127	81,094
Other	48,539	997	47,542
	<u>8,310,763</u>	<u>24,633</u>	<u>8,286,131</u>
FROM LOCAL AGENCIES			
Counties	89,243	6	89,237
Cities, villages, and townships	1,123	1,059	64
Colleges and universities	163	-	163
School districts	1,179	-	1,179
Other	14,969	702	14,267
	<u>106,676</u>	<u>1,767</u>	<u>104,909</u>
SPECIAL MEDICAID REIMBURSEMENTS	<u>1,155,374</u>	<u>-</u>	<u>1,155,374</u>
	1,155,374	-	1,155,374
FROM SERVICES			
Charges for vehicle driver records	29,614	8	29,606
Revenue for patient, ward, and inmate care	36,162	172	35,990
Other	48,869	4,590	44,279
	<u>114,645</u>	<u>4,770</u>	<u>109,875</u>

**SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL FUND**

FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

<u>SOURCE</u>	<u>TOTAL</u>	<u>GENERAL PURPOSE</u>	<u>RESTRICTED REVENUES</u>
FROM LICENSES AND PERMITS			
Liquor retailers', manufacturers', and wholesalers' licenses	\$ 12,065	\$ -	\$ 12,065
Motor vehicle operators' and chauffeurs' licenses	32,148	4,244	27,904
Examination fees - financial institutions and insurance industry	21,842	-	21,842
Motor vehicle related	4,758	571	4,188
Public utility assessment fees	16,309	-	16,309
Consumer and Industry Services licenses and permits	62,713	11,157	51,556
Auto repair facilities and mechanics licenses and fees	4,337	9	4,328
Corporation franchise fees	12,459	6,270	6,189
Other	53,101	1,251	51,850
	<u>219,732</u>	<u>23,502</u>	<u>196,230</u>
MISCELLANEOUS			
Income from investments	71,534	50,331	21,203
Various fines, fees, and assessments	45,292	1,599	43,693
Court fines, fees, and assessments	87,004	4,849	82,155
Oil and gas royalties, fees, assignments, and rentals	11,674	(1,654)	13,328
Environmental pollution settlements	5,821	2,070	3,751
State Fair revenue	5,222	-	5,222
Child support	26,629	139	26,490
Other	258,737	85,886	172,850
	<u>511,912</u>	<u>143,221</u>	<u>368,691</u>
Total Revenues	<u>21,432,165</u>	<u>8,885,441</u>	<u>12,546,723</u>
OTHER FINANCING SOURCES			
Capital lease acquisitions	23,014	-	23,014
Transfers from other funds:			
From Liquor Purchase Revolving Fund	127,393	118,832	8,561
From State Lottery Fund	10,377	9,393	984
From Escheats Fund	34,904	30,360	4,544
From other funds	454,375	370,444	83,931
Total Other Financing Sources	<u>650,063</u>	<u>529,029</u>	<u>121,033</u>
Total Revenue and Other Financing Sources (GAAP Basis)	<u>22,082,227</u>	<u>9,414,471</u>	<u>12,667,757</u>
BUDGETARY BASIS ADJUSTMENTS			
Capital lease acquisitions	<u>(23,014)</u>	<u>-</u>	<u>(23,014)</u>
Total Revenue and Other Financing Sources (budgetary basis)	<u>\$ 22,059,213</u>	<u>\$ 9,414,471</u>	<u>\$ 12,644,742</u>

* Negative amount represents refunds in excess of revenues collected.

SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)

BRANCH AND DEPARTMENT	CURRENT LEGISLATIVE APPROPRIATION	BUDGETARY TRANSFERS IN/OUT	BUDGETARY ADJUSTMENT	UNEXPENDED FROM PRIOR YEAR	RESTRICTED REVENUE ADDITIONS	LESS: TIMING DIFFERENCES*
						RESTRICTED REVENUE NOT AUTHORIZED
Legislative Branch	\$ 153,360	\$ -	\$ 245	\$ 24,986	\$ 6,873	\$ (47)
Judicial Branch	175,658	-	-	15,940	56,483	(4,061)
Executive Branch:						
Agriculture	51,795	-	-	25,629	40,367	(8,940)
Attorney General	35,271	-	-	749	20,317	(38)
Career Development	33,279	-	641	11,236	402,254	(330)
Civil Rights	14,267	-	-	1,191	824	-
Civil Service	12,374	-	-	1,904	20,261	(1,400)
Colleges and Universities Grants	2,097,917	-	-	3,243	3,196	-
Community Health	2,673,556	-	8,344	298,719	6,469,217	(457,084)
Consumer and Industry Services	83,344	-	-	70,590	159,751	(65,537)
Corrections	1,619,601	-	-	49,692	57,147	(3,085)
Education	420,769	-	-	6,246	794,661	(4,195)
Environmental Quality	99,407	-	94	90,485	137,126	(95,132)
Executive Office	5,651	-	-	70	13	(23)
Family Independence Agency	1,216,744	-	28,750	57,927	2,399,287	(483)
Management and Budget	197,269	-	1,517	463,559	116,332	(39,717)
Military and Veterans Affairs	41,648	-	10	5,749	53,251	(1,808)
Natural Resources	53,679	-	-	42,756	45,712	(15,826)
State	66,805	-	-	22,937	110,731	(6,094)
State Police	321,356	-	-	47,752	102,302	(29,757)
Transportation	21,300	-	-	11,363	-	-
Treasury	159,974	-	-	275,353	2,322,399	(269,121)
Intrafund expenditure reimbursements	-	-	-	-	-	-
TOTAL	\$ 9,555,019	\$ -	\$ 39,601	\$ 1,528,078	\$ 13,318,500	\$ (1,002,679)

* Unused spending authority which does not lapse has been divided into two categories

Timing differences are subtracted from Gross Spending Authority in order to show an annualized Budget that is comparable to the current year's Actual uses. Timing differences consist of unused authorizations for multi-year projects (capital outlay and work projects) and restricted revenues which were not available for expenditure in the current year because they had not been appropriated

Restricted revenue balances authorized in the Variances category represent restricted revenue carry-over that could have been used in the current period but were not

** Appropriation revisions of \$195.7 million were made in fiscal year 2000-2001 for capital outlay appropriations that are now funded by the State Building Authority. This resulted in reductions to "current legislative appropriation" which totalled \$9.8 billion before the appropriation revisions were recorded

NOTE: This schedule was prepared on the Statutory/Budgetary basis

Michigan

SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS FISCAL YEAR ENDED SEPTEMBER 30, 2001 (In Thousands)

BRANCH AND DEPARTMENT	GROSS SPENDING AUTHORITY	LESS: TIMING DIFFERENCES* MULTI-YEAR PROJECTS	"BUDGET"	"ACTUAL"	
			AS PRESENTED IN STATEMENTS	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD
Legislative Branch	\$ 185,416	\$ (15,551)	\$ 169,865	\$ 166,280	\$ 2,691
Judicial Branch	244,019	(434)	243,585	232,492	3,837
Executive Branch:					
Agriculture	108,851	(11,784)	97,067	93,966	2,833
Attorney General	56,299	-	56,299	55,427	173
Career Development	447,080	(102)	446,978	445,998	827
Civil Rights	16,281	(740)	15,541	15,046	243
Civil Service	33,139	(1,460)	31,679	31,444	235
Colleges and Universities Grants	2,104,355	(1,590)	2,102,765	2,102,073	-
Community Health	8,992,751	(7,137)	8,985,614	8,976,960	4,505
Consumer and Industry Services	248,147	-	248,147	241,228	5,389
Corrections	1,723,354	(23,543)	1,699,812	1,662,984	29,230
Education	1,217,482	(452)	1,217,029	1,214,830	1,175
Environmental Quality	231,979	(21,165)	210,814	191,170	19,555
Executive Office	5,711	-	5,711	5,664	10
Family Independence Agency	3,702,224	(41,858)	3,660,366	3,653,099	4,126
Management and Budget	738,961	(138,465)	600,496	548,403	37,858
Military and Veterans Affairs	98,850	-	98,850	95,685	1,267
Natural Resources	126,321	(6,817)	119,503	112,540	2,011
State	194,378	(5,383)	188,996	180,379	5,471
State Police	441,653	(2,396)	439,257	420,164	10,063
Transportation	32,663	(15,503)	17,160	17,160	-
Treasury	2,488,605	(13,693)	2,474,912	2,462,786	6,128
Intrafund expenditure reimbursements	-	-	(673,758)	(673,758)	-
TOTAL	\$ 23,438,519	\$ (308,073)	\$ 22,456,688	\$ 22,252,022	\$ 137,626

Michigan

SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS FISCAL YEAR ENDED SEPTEMBER 30, 2001 (In Thousands)

BRANCH AND DEPARTMENT	"VARIANCES"		
	RESTRICTED REVENUE BALANCES AUTHORIZED	LAPSES	OVEREXPENDED
Legislative Branch	\$ 440	\$ 455	\$ -
Judicial Branch	14	7,242	-
Executive Branch:			
Agriculture	-	268	-
Attorney General	-	699	-
Career Development	-	736	(584)
Civil Rights	-	252	-
Civil Service	-	-	-
Colleges and Universities Grants	-	693	-
Community Health	2,872	32,583	(31,307)
Consumer and Industry Services	99	1,431	-
Corrections	-	7,598	-
Education	-	1,024	-
Environmental Quality	-	89	-
Executive Office	-	37	-
Family Independence Agency	-	3,142	-
Management and Budget	-	14,235	-
Military and Veterans Affairs	675	1,223	-
Natural Resources	-	4,952	-
State	833	2,312	-
State Police	1,157	7,873	-
Transportation	-	-	-
Treasury	3,213	2,785	-
Intrafund expenditure reimbursements	-	-	-
TOTAL	\$ 9,302	\$ 89,630	\$ (31,891)

**SOURCE AND DISPOSITION OF
GENERAL FUND/GENERAL PURPOSE AUTHORIZATIONS
APPROPRIATION YEAR 2001
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)**

<u>BRANCH AND DEPARTMENT</u>	<u>CURRENT LEGISLATIVE APPROPRIATION</u>	<u>BUDGETARY TRANSFERS IN/OUT</u>	<u>BUDGETARY ADJUSTMENT</u>	<u>GROSS SPENDING AUTHORITY</u>
Legislative Branch	\$ 153,360	\$ 44	\$ 245	\$ 153,649
Judicial Branch	175,658	-	-	175,658
Executive Branch:				
Agriculture	51,795	-	-	51,795
Attorney General	35,271	-	-	35,271
Career Development	33,279	-	641	33,919
Civil Rights	14,267	-	-	14,267
Civil Service	12,374	-	-	12,374
Colleges and Universities Grants	2,097,917	-	-	2,097,917
Community Health	2,673,556	-	8,344	2,681,900
Consumer and Industry Services	83,344	-	-	83,344
Corrections	1,619,601	-	-	1,619,601
Education	420,769	-	-	420,769
Environmental Quality	99,407	-	94	99,501
Executive Office	5,651	-	-	5,651
Family Independence Agency	1,216,744	-	28,750	1,245,493
Management and Budget	392,479	-	1,517	393,996
Military and Veterans Affairs	41,648	-	10	41,658
Natural Resources	53,679	-	-	53,679
State	66,805	-	-	66,805
State Police	321,806	-	-	321,806
Transportation	21,300	-	-	21,300
Treasury	159,974	-	-	159,974
 TOTAL	 \$ 9,750,679	 \$ 44	 \$ 39,601	 \$ 9,790,324

**SOURCE AND DISPOSITION OF
GENERAL FUND/GENERAL PURPOSE AUTHORIZATIONS
APPROPRIATION YEAR 2001
FISCAL YEAR ENDED SEPTEMBER 30, 2001
(In Thousands)**

BRANCH AND DEPARTMENT	"ACTUAL"			"VARIANCES"	
	EXPENDED/ TRANSFERRED	ENCUMBERED BALANCES FORWARD	MULTI-YEAR PROJECT BALANCES FORWARD	LAPSES	OVEREXPENDED
Legislative Branch	\$ 148,144	\$ 1,224	\$ 3,972	\$ 309	\$ -
Judicial Branch	172,202	2,367	-	1,088	-
Executive Branch:					
Agriculture	45,227	1,300	5,000	267	-
Attorney General	34,551	173	-	548	-
Career Development	33,221	693	-	589	(584)
Civil Rights	13,809	211	-	247	-
Civil Service	11,303	171	900	-	-
Colleges and Universities Grants	2,095,639	-	1,585	692	-
Community Health	2,677,007	1,962	2,925	30,959	(30,954)
Consumer and Industry Services	80,172	2,451	-	720	-
Corrections	1,587,035	19,810	11,551	1,205	-
Education	418,338	1,036	452	942	-
Environmental Quality	82,473	6,367	10,615	45	-
Executive Office	5,604	10	-	37	-
Family Independence Agency	1,217,901	3,868	21,195	2,530	-
Management and Budget	352,738	3,554	24,935	12,771	-
Military and Veterans Affairs	40,645	506	-	508	-
Natural Resources	51,880	1,169	-	630	-
State	61,389	1,975	2,020	1,420	-
State Police	315,501	3,890	2,396	19	-
Transportation	11,773	-	9,527	-	-
Treasury	149,442	1,127	8,100	1,305	-
TOTAL	<u>\$ 9,605,994</u>	<u>\$ 53,864</u>	<u>\$ 105,174</u>	<u>\$ 56,830</u>	<u>\$ (31,538)</u>

REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS
GENERAL AND SPECIAL REVENUE FUNDS
 LAST TEN YEARS
 SEPTEMBER 30, 2001
 (In Thousands)

<u>SOURCE</u>	<u>1991-1992</u>	<u>1992-1993</u>	<u>1993-1994</u>	<u>1994-1995</u>	<u>1995-1996</u>
TAXES:					
Sales	\$ 2,738,147	\$ 2,905,665	\$ 3,775,260	\$ 4,884,198	\$ 5,171,598
Personal Income (net of tax expenditures)	3,927,931	4,204,772	4,461,416	5,013,472	5,438,788
Amount reported as tax expenditures	964,700	975,200	1,067,700	459,600	429,618
Single Business	1,685,052	1,791,128	2,035,394	2,130,395	2,187,418
Use	479,979	529,532	725,091	942,885	1,034,886
State Education (Property)	-	-	446,863	1,155,601	1,272,288
Real Estate Transfer	-	-	-	-	-
Liquor, Beer, Wine, and Tobacco Products	360,461	358,887	510,312	734,645	698,007
Casino Gaming Wagering	-	-	-	-	-
Telephone and Telegraph Company	145,199	149,613	122,477	127,189	135,412
Insurance Company	178,304	188,196	194,442	213,638	205,996
Motor Vehicle and Fuel	1,185,774	1,244,816	1,287,765	1,338,692	1,334,349
Other	566,646	518,496	455,788	468,399	611,716
TOTAL TAXES	12,232,193	12,866,305	15,082,510	17,468,714	18,520,076
FEDERAL AGENCIES	5,379,072	5,923,406	6,370,178	6,532,050	7,469,416
LOCAL AGENCIES	178,660	148,956	156,267	183,282	197,972
SPECIAL MEDICAID REIMBURSEMENTS	454,257	738,026	900,461	490,517	598,654
SERVICES	107,939	110,543	113,757	122,532	120,415
LICENSES AND PERMITS	288,764	302,481	328,978	348,873	353,266
MISCELLANEOUS	448,480	427,227	478,194	655,578	701,004
TOTAL REVENUE	19,089,364	20,516,944	23,430,346	25,801,546	27,960,804
PROCEEDS FROM BOND ISSUES	461,957	14,179	166,036	541,881	6,149
CAPITAL LEASE ACQUISITIONS	24,349	18,304	8,778	23,782	71,810
TOTAL REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS	\$ 19,575,671	\$ 20,549,427	\$ 23,605,160	\$ 26,367,209	\$ 28,038,762

NOTES:

- (1) Beginning in fiscal year 1996-97, the State began reporting the federal share of child support collections as federal revenue, rather than as miscellaneous revenue. Prior year amounts have been reclassified to include the federal revenue which were previously reported on the "Miscellaneous" line.
- (2) Beginning in fiscal year 1997-98, the State began reporting real estate transfer tax separately from State education (property) tax. Amounts of the real estate transfer tax for years prior to 1997-98 are not available.

REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS
GENERAL AND SPECIAL REVENUE FUNDS
 LAST TEN YEARS
 SEPTEMBER 30, 2001
 (In Thousands)

<u>SOURCE</u>	<u>1996-1997</u>	<u>1997-1998</u>	<u>1998-1999</u>	<u>1999-2000</u>	<u>2000-2001</u>
TAXES:					
Sales	\$ 5,389,802	\$ 5,617,331	\$ 5,901,733	\$ 6,277,498	\$ 6,352,306
Personal Income (net of tax expenditures)	5,930,404	6,316,125	6,907,933	7,144,211	6,749,373
Amount reported as tax expenditures	470,000	477,000	486,100	502,100	532,800
Single Business	2,224,319	2,349,148	2,360,533	2,324,868	2,022,882
Use	1,092,216	1,159,258	1,283,017	1,355,389	1,333,607
State Education (Property)	1,348,832	1,256,874	1,273,459	1,381,420	1,489,552
Real Estate Transfer	-	227,852	261,696	257,093	252,894
Liquor, Beer, Wine, and Tobacco Products	662,287	689,451	739,972	736,859	732,673
Casino Gaming Wagering	-	-	-	-	75,415
Telephone and Telegraph Company	145,805	151,964	150,334	149,206	152,523
Insurance Company	182,389	142,565	199,463	191,946	200,756
Motor Vehicle and Fuel	1,424,963	1,695,068	1,784,970	1,829,979	1,852,964
Other	569,300	543,391	609,665	714,899	657,279
TOTAL TAXES	19,440,316	20,626,025	21,958,875	22,865,469	22,405,023
FEDERAL AGENCIES	7,653,495	7,679,490	7,902,699	8,571,625	9,566,353
LOCAL AGENCIES	168,247	165,443	183,822	173,882	227,996
SPECIAL MEDICAID REIMBURSEMENTS	593,402	585,179	690,799	1,059,343	1,155,374
SERVICES	114,354	107,623	113,415	110,294	115,346
LICENSES AND PERMITS	353,492	376,909	383,778	393,006	391,655
MISCELLANEOUS	655,963	700,553	769,236	1,032,248	1,281,281
TOTAL REVENUE	28,979,270	30,241,222	32,002,624	34,205,867	35,143,027
PROCEEDS FROM BOND ISSUES	54,021	251,454	-	82,099	854,240
CAPITAL LEASE ACQUISITIONS	54,157	29,027	57,609	22,330	23,014
TOTAL REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS	\$ 29,087,448	\$ 30,521,703	\$ 32,060,233	\$ 34,310,295	\$ 36,020,281

Michigan

SCHEDULE OF EXPENDITURES BY FUNCTION GENERAL AND SPECIAL REVENUE FUNDS - STATE FUNDS LAST TEN YEARS SEPTEMBER 30, 2001 (In Thousands)

	<u>1991 - 1992</u>	<u>1992 - 1993</u>	<u>1993 - 1994</u>	<u>1994 - 1995</u>	<u>1995 - 1996</u>
Current:					
General government	\$ 935,530	\$ 906,287	\$ 844,696	\$ 970,101	\$ 1,061,865
Education	4,898,512	5,226,199	6,032,718	9,781,080	10,219,613
Family independence services (1)	6,209,410	6,964,193	7,596,169	7,389,722	8,619,094
Public safety and corrections	1,189,233	1,298,270	1,403,525	1,557,854	1,683,618
Conservation, environment, recreation, and agriculture	357,647	367,688	518,336	639,425	511,459
Labor, commerce, and regulatory	597,427	590,282	658,148	704,191	716,571
Health services (1)	1,304,679	1,370,988	1,428,218	1,471,392	1,501,080
Transportation	1,174,803	1,240,270	1,297,326	1,352,745	1,392,778
Tax expenditures	964,700	975,200	1,067,700	459,600	429,618
Capital outlay	517,777	538,647	523,512	625,390	608,159
Intergovernmental - revenue sharing	956,102	1,063,608	1,136,127	1,190,838	1,281,089
Debt service:					
Bond interest and fiscal charges	-	-	-	-	-
Capital lease payments	<u>47,515</u>	<u>39,279</u>	<u>36,341</u>	<u>38,523</u>	<u>44,932</u>
Total Expenditures	<u>\$ 19,153,334</u>	<u>\$ 20,580,911</u>	<u>\$ 22,542,815</u>	<u>\$ 26,180,861</u>	<u>\$ 28,069,878</u>

NOTES: (1) Beginning in fiscal year 1996-97 the State consolidated the Medical Services Administration (MSA), the Departments of Public Health and Mental Health to form the Department of Community Health and accounted for the combined operations as "Health services." MSA and Public Health expenditures were previously reported as "Health and welfare," which was renamed to "Family independence services." Prior year amounts have not been restated.

Michigan

SCHEDULE OF EXPENDITURES BY FUNCTION GENERAL AND SPECIAL REVENUE FUNDS - STATE FUNDS LAST TEN YEARS SEPTEMBER 30, 2001 (In Thousands)

	<u>1996 - 1997</u>	<u>1997 - 1998</u>	<u>1998 - 1999</u>	<u>1999 - 2000</u>	<u>2000 - 2001</u>
Current:					
General government	\$ 1,060,633	\$ 1,003,062	\$ 1,072,735	\$ 1,071,643	\$ 1,270,363
Education	10,568,759	11,462,128	11,827,226	12,436,812	13,975,247
Family independence services (1)	3,496,468	3,262,649	3,229,377	3,336,835	3,596,001
Public safety and corrections	1,738,682	1,720,105	1,908,871	1,983,001	2,155,735
Conservation, environment, recreation, and agriculture	440,656	446,377	482,901	564,738	617,703
Labor, commerce, and regulatory	756,754	763,484	720,070	740,687	881,069
Health services (1)	6,563,740	6,781,614	7,100,795	7,692,354	8,525,435
Transportation	1,459,704	1,556,082	1,645,123	1,663,318	2,058,191
Tax expenditures	470,000	477,000	486,100	502,100	532,800
Capital outlay	716,835	898,509	1,144,575	1,196,211	1,267,158
Intergovernmental - revenue sharing	1,301,153	1,381,009	1,410,400	1,494,016	1,555,799
Debt service:					
Bond interest and fiscal charges	-	-	-	-	2,219
Capital lease payments	<u>57,562</u>	<u>58,905</u>	<u>59,287</u>	<u>52,027</u>	<u>48,820</u>
Total Expenditures	<u>\$ 28,630,947</u>	<u>\$ 29,810,925</u>	<u>\$ 31,087,460</u>	<u>\$ 32,733,741</u>	<u>\$ 36,486,541</u>

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION
BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS**

LAST TEN YEARS
SEPTEMBER 30, 2001
(In Thousands)

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST AND FISCAL CHARGES</u>	<u>TOTAL DEBT SERVICE EXPENDITURES</u>	<u>TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS</u>	<u>RATIO OF DEBT SERVICE EXPENDITURES TO GENERAL FUND EXPENDITURES AND TRANSFERS</u>
1991-1992	\$ 27,282	\$ 8,184	\$ 35,466	\$ 15,500,936	.23 %
1992-1993	19,342	18,341	37,683	17,120,555	.22 %
1993-1994	20,795	19,895	40,690	17,989,224	.23 %
1994-1995	23,584	19,081	42,665	17,549,649	.24 %
1995-1996	21,097	33,150	54,246	18,755,877	.29 %
1996-1997	29,857	34,143	64,000	18,571,900	.34 %
1997-1998	31,141	32,676	63,817	18,847,724	.34 %
1998-1999	34,751	45,055	79,806	20,027,355	.40 %
1999-2000	36,035	49,584	85,619	20,942,926	.41 %
2000-2001	42,392	49,053	91,445	22,275,036	.41 %

NOTE: Principal and interest on short-term general obligation notes are not included in this bonded debt schedule.

Michigan

NET GENERAL OBLIGATION BONDED DEBT PER CAPITA LAST TEN YEARS SEPTEMBER 30, 2001 (In Thousands)

<u>FISCAL YEAR</u>	<u>POPULATION*</u>	<u>GROSS BONDED DEBT</u>	<u>LESS DEBT SERVICE FUNDS</u>	<u>NET BONDED DEBT</u>	<u>NET BONDED DEBT PER CAPITA (IN DOLLARS)</u>
1991-1992	9,470	\$ 397,067	\$ -	\$ 397,067	\$ 41.93
1992-1993	9,529	394,950	-	394,950	41.45
1993-1994	9,584	394,278	-	394,278	41.14
1994-1995	9,660	719,222	-	719,222	74.45
1995-1996	9,739	702,486	-	702,486	72.13
1996-1997	9,785	677,277	-	677,277	69.22
1997-1998	9,820	901,103	-	901,103	91.76
1998-1999	9,864	869,788	-	869,788	88.18
1999-2000	9,938	930,279	-	930,279	93.61
2000-2001	9,991	1,031,802	-	1,031,802	103.27

*SOURCE: U. S. Census Bureau, Population Division, and Office of the State Budget,
Michigan Information Center.

Michigan

STATE BUILDING AUTHORITY (SBA) BONDED DEBT PER CAPITA LAST TEN YEARS SEPTEMBER 30, 2001 (In Thousands)

<u>FISCAL YEAR</u>	<u>POPULATION*</u>	<u>SBA GROSS BONDED DEBT</u>	<u>LESS SBA DEBT SERVICE FUNDS</u>	<u>SBA NET BONDED DEBT</u>	<u>SBA NET BONDED DEBT PER CAPITA (IN DOLLARS)</u>
1991-1992	9,470	\$ 1,490,815	\$ 187,184	\$ 1,303,631	\$ 137.66
1992-1993	9,529	1,453,140	109,494	1,343,647	141.01
1993-1994	9,584	1,494,440	150,972	1,343,468	140.18
1994-1995	9,660	1,453,420	170,478	1,282,942	132.81
1995-1996	9,739	1,478,896	171,244	1,307,652	134.27
1996-1997	9,785	1,616,700	193,219	1,423,481	145.48
1997-1998	9,820	1,996,787	245,050	1,751,737	178.38
1998-1999	9,864	1,945,086	220,745	1,724,341	174.81
1999-2000	9,938	1,825,918	233,540	1,592,378	160.23
2000-2001	9,991	2,159,314	226,906	1,932,408	193.41

NOTE: State Building Authority (SBA) bonds are revenue dedicated bonds whose debt service requirements are financed by General Fund appropriations for rent of leased property, excess bond proceeds, and investments earnings. The bonds of the Authority are not considered direct debts or obligations of the State.

*SOURCE: U. S. Census Bureau, Population Division, Office of the State Budget, and Michigan Information Center.

DEBT SERVICE COVERAGE
COMPREHENSIVE TRANSPORTATION FUND RELATED BONDS
LAST TEN YEARS
SEPTEMBER 30, 2001
(In Millions)

	1991-1992	1992-1993	1993-1994	1994-1995	1995-1996
Constitutionally Restricted					
Transportation Fund Revenues:					
Motor Fuel Taxes	\$ 686.6	\$ 724.9	\$ 729.0	\$ 756.3	\$ 761.7
Registration Taxes	441.8	462.5	494.3	521.2	564.5
Miscellaneous Fees	61.8	64.4	70.0	71.8	57.4
Total	1,190.2	1,251.8	1,293.3	1,349.3	1,383.6
Less Deductions	90.8	96.5	100.2	103.8	113.4
Remaining Balance	1,099.4	1,155.3	1,193.1	1,245.5	1,270.2
Portion of Balance Credited to Comprehensive Transportation Fund (excluding interest)	110.0	115.8	120.7	125.8	129.0
Motor Vehicle Related Sales Tax Revenues	\$ 639.0	\$ 701.9	\$ 768.5	\$ 747.1	\$ 837.5
Allocation to Comprehensive Transportation Fund	32.8	43.9	53.6	55.6	58.4
Constitutionally Restricted Revenues Credited to Comprehensive Transportation Fund	\$ 142.8	\$ 159.7	\$ 174.3	\$ 181.4	\$ 187.4
Plus Other Revenues (primarily interest)	1.1	1.3	1.8	15.8	7.9
Money Available for Debt Service	143.9	161.0	176.1	197.2	195.3
Actual Annual Debt Service (1)	17.0	20.1	20.7	20.6	23.1
Debt Service Coverage	8.5 x	8.0 x	8.5 x	9.6 x	8.5 x

(1) The table above does not include debt service on refunded bonds.

Source: Michigan Department of Transportation.

DEBT SERVICE COVERAGE
COMPREHENSIVE TRANSPORTATION FUND RELATED BONDS
LAST TEN YEARS
SEPTEMBER 30, 2001
(In Millions)

	<u>1996-1997</u>	<u>1997-1998</u>	<u>1998-1999</u>	<u>1999-2000</u>	<u>2000-2001</u>
Constitutionally Restricted					
Transportation Fund Revenues:					
Motor Fuel Taxes	\$ 821.0	\$ 1,022.7	\$ 1,066.3	\$ 1,066.5	\$ 1,067.6
Registration Taxes	596.5	664.8	709.9	755.1	777.9
Miscellaneous Fees	<u>54.4</u>	<u>59.1</u>	<u>57.0</u>	<u>55.2</u>	<u>54.7</u>
Total	1,471.9	1,746.6	1,833.2	1,876.7	1,900.2
Less Deductions	<u>116.9</u>	<u>117.9</u>	<u>121.2</u>	<u>128.0</u>	<u>132.0</u>
Remaining Balance	1,355.0	1,628.7	1,712.0	1,748.7	1,768.2
Portion of Balance Credited to Comprehensive Transportation Fund (excluding interest)	<u>132.2</u>	<u>145.3</u>	<u>153.0</u>	<u>156.9</u>	<u>159.2</u>
 Motor Vehicle Related Sales Tax Revenues	 \$ 843.4	 \$ 864.7	 \$ 906.7	 \$ 999.3	 \$ 1,057.0
Allocation to Comprehensive Transportation Fund	<u>58.8</u>	<u>60.3</u>	<u>63.2</u>	<u>69.7</u>	<u>73.7</u>
 Constitutionally Restricted Revenues Credited to Comprehensive Transportation Fund	 \$ 191.0	 \$ 205.6	 \$ 216.3	 \$ 226.6	 \$ 232.9
Plus Other Revenues (primarily interest)	<u>5.0</u>	<u>6.1</u>	<u>6.6</u>	<u>3.1</u>	<u>3.5</u>
Money Available for Debt Service	<u>196.1</u>	<u>211.7</u>	<u>222.9</u>	<u>229.7</u>	<u>236.4</u>
 Actual Annual Debt Service (1)	 <u>22.5</u>	 <u>23.1</u>	 <u>21.9</u>	 <u>21.2</u>	 <u>21.7</u>
 Debt Service Coverage	 8.7 x	 9.2 x	 10.2 x	 10.8 x	 10.9 x

DEBT SERVICE COVERAGE
STATE TRUNKLINE FUND RELATED BONDS
 LAST TEN YEARS
 SEPTEMBER 30, 2001
 (In Millions)

	1991-1992	1992-1993	1993-1994	1994-1995	1995-1996	1996-1997
Constitutionally Restricted						
Transportation Fund Revenues:						
Motor Fuel Taxes	\$ 686.6	\$ 724.9	\$ 729.0	\$ 756.3	\$ 761.7	\$ 821.0
Registration Taxes	441.8	462.5	494.3	521.2	564.5	596.5
Miscellaneous Fees	61.8	64.4	70.0	71.8	57.4	54.4
Total	1,190.2	1,251.8	1,293.3	1,349.3	1,383.6	1,471.9
Less Deductions:						
Critical Bridge Debt Service	-	-	2.8	1.3	1.6	1.6
P. A. 51 Dedicated State Trunkline Fund Debt Service (1)	-	-	-	-	-	-
Collection Costs	78.4	83.6	84.2	90.2	99.8	101.2
Waterways/Recreational Improvement Fund	12.4	13.0	13.2	13.4	13.6	14.1
Comprehensive Transportation Fund (excluding interest)	110.0	115.8	120.7	125.8	129.0	132.2
Local Program Fund	-	20.0	33.0	33.0	33.0	33.0
Critical Bridge Fund	5.0	5.0	5.0	5.0	5.0	5.0
Economic Development Fund	36.8	36.8	36.8	36.8	36.8	36.8
Total Deductions	242.6	274.2	295.7	305.5	318.8	323.9
Constitutionally Restricted Revenues						
Available for Distribution	947.6	977.6	997.6	1,043.8	1,064.7	1,148.1
Plus Other Revenues (primarily interest)	5.5	11.0	5.5	12.7	18.8	59.7
Total Money Available for Distribution	953.1	988.6	1,003.1	1,056.5	1,083.5	1,207.8
Distributions to:						
Cities and Villages	209.4	217.9	218.6	233.2	239.5	270.5
County Road Commissions	371.3	385.0	392.2	411.4	421.4	477.9
State Trunkline Fund	372.4	385.7	392.2	411.9	422.7	459.3
Money Available for Debt Service						
State Trunkline Fund	372.4	385.7	392.2	411.9	422.7	459.3
P. A. 51 Dedicated State Trunkline Fund Debt Service (1)	-	-	-	-	-	-
Economic Development Fund	36.8	36.8	36.8	36.8	36.8	36.8
Local Program Fund	-	20.0	33.0	33.0	33.0	33.0
Critical Bridge Fund	-	-	2.8	-	-	-
Total Available for Debt Service	409.2	442.5	464.8	481.7	492.5	529.0
Actual Annual Debt Service (2)	29.4	31.9	34.5	42.5	58.2	59.7
Debt Service Coverage	13.9 x	13.9 x	13.5 x	11.3 x	8.5 x	8.9

(1) Beginning fiscal year 1997-98, the formula for the tax distribution was revised to apportion and appropriate \$43 million from the Michigan Transportation Fund to the State Trunkline Fund for debt service costs on State of Michigan projects. Prior year amounts are not available.

(2) The table above excludes amounts related to refunded bonds.

SOURCE: Michigan Department of Transportation.

DEBT SERVICE COVERAGE
STATE TRUNKLINE FUND RELATED BONDS
 LAST TEN YEARS
 SEPTEMBER 30, 2001
 (In Millions)

	1997-1998	1998-1999	1999-2000	2000-2001
Constitutionally Restricted				
Transportation Fund Revenues:				
Motor Fuel Taxes	\$ 1,022.7	\$ 1,066.3	\$ 1,066.5	\$ 1,067.6
Registration Taxes	664.8	709.9	755.1	777.9
Miscellaneous Fees	59.1	57.0	55.2	54.7
Total	1,746.6	1,833.2	1,876.7	1,900.2
Less Deductions:				
Critical Bridge Debt Service	1.6	1.4	2.4	2.4
P. A. 51 Dedicated State Trunkline Fund Debt Service (1)	43.0	43.0	43.0	43.0
Collection Costs	55.4	58.4	64.0	63.1
Waterways/Recreational Improvement Fund	17.9	18.4	18.6	18.5
Comprehensive Transportation Fund (excluding interest)	145.3	153.0	156.9	159.2
Local Program Fund	33.0	33.0	33.0	33.0
Critical Bridge Fund	5.0	5.0	5.0	5.0
Economic Development Fund	40.3	40.3	40.3	40.3
Total Deductions	341.5	352.5	363.2	364.5
Constitutionally Restricted Revenues				
Available for Distribution	1,405.1	1,480.7	1,513.6	1,535.7
Plus Other Revenues (primarily interest)	13.9	11.6	15.8	13.4
Total Money Available for Distribution	1,419.0	1,492.3	1,529.4	1,549.1
Distributions to:				
Cities and Villages	302.7	318.7	326.7	331.9
County Road Commissions	534.3	561.0	575.0	582.9
State Trunkline Fund	582.0	612.7	627.7	634.3
Money Available for Debt Service				
State Trunkline Fund	582.0	612.7	627.7	634.3
P. A. 51 Dedicated State Trunkline Fund Debt Service (1)	43.0	43.0	43.0	43.0
Economic Development Fund	40.3	40.3	40.3	2.4
Local Program Fund	33.0	33.0	33.0	33.0
Critical Bridge Fund	1.6	1.4	2.4	40.3
Total Available for Debt Service	699.9	730.4	746.4	753.0
Actual Annual Debt Service (2)	61.3	57.8	47.2	48.2
Debt Service Coverage	x 11.4 x	12.6 x	15.8 x	15.6 x

Economic and Social Data

GENERAL INFORMATION

On January 26, 1837, Michigan was admitted to the Union as the twenty-sixth state. It is located in the East North Central Census Region and is bordered by Canada and the states of Ohio, Indiana, and Wisconsin. Michigan contains 58,110 square miles of land mass (exclusive of 1,305 square miles of inland water and 38,575 square miles of Great Lakes water area) with 3,288 miles of shoreline on four of the five Great Lakes. A combined water and land area of 97,990 square miles makes it the tenth largest state.

POPULATION

The following table presents population trends for Michigan for the last ten years (in thousands):

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Population	9,470	9,529	9,584	9,660	9,739	9,785	9,820	9,864	9,938	9,991
Percent Change	.8%	.6%	.6%	.8%	.8%	.5%	.4%	.4%	.8%	.5%

Source:

U.S. Census Bureau, Population Division (estimated at July 1 for 2001, all prior years are actual).

WEALTH

The following table presents per capita income, retail sales, taxable property, and bank deposits data for the last ten years:

	Per Capita Income (a)		Retail Sales (b) (In Billions)	State Equalized Value of Taxable Property (c) (In Billions)	Bank Deposits (d) (In Billions)
<u>YEAR</u>	<u>MI</u>	<u>U.S.</u>	<u>U.S.</u>	<u>MI</u>	<u>MI</u>
1991	\$19,311	\$20,039	\$1,855.9	\$150.9	\$109.5
1992	20,263	20,979	1,951.6	154.3	110.6
1993	21,366	21,557	2,082.1	167.9	111.8
1994	22,829	22,358	2,248.2	175.5	117.8
1995	23,931	23,272	2,359.0	186.4	117.4
1996	24,394	24,286	2,502.4	200.3	116.9
1997	25,505	25,427	2,610.6	216.7	118.2
1998	26,870	26,909	2,745.6	237.4	123.4
1999	27,886	27,859	2,994.9	261.0	122.3
2000	29,071	29,451	3,082.8	284.4	136.5

Sources:

- (a) U.S. Department of Commerce, Bureau of Economic Analysis, October 2001 release.
- (b) U.S. Census Bureau, Monthly Retail Surveys Branch.
- (c) State of Michigan, Department of Treasury, Property Tax Division.
- (d) State of Michigan, Department of Consumer & Industry Services, Office of Financial and Insurance Services, Division of Financial Institutions.
The amounts shown include state and national banks, state and federal credit unions, state and federal savings banks, and saving and loan associations.

Economic and Social Data (Continued)

EMPLOYMENT

The following table presents employment data (expressed in thousands) for the State of Michigan for the last ten calendar years:

<u>Year</u>	<u>Total Labor Force</u>	<u>Total Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
1991	4,592	4,165	427	9.3%
1992	4,690	4,274	416	8.9%
1993	4,753	4,418	335	7.0%
1994	4,823	4,539	284	5.9%
1995	4,814	4,556	258	5.4%
1996	4,897	4,659	238	4.9%
1997	4,961	4,752	209	4.2%
1998	5,031	4,837	194	3.9%
1999	5,144	4,950	194	3.8%
2000	5,201	5,016	185	3.6%

Source: Michigan Department of Career Development, Employment Service Agency.

Wage and salary employees for the last five calendar years consisted of the following (in thousands):

<u>Wage and Salary Employment</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Goods Producing Industries:					
Manufacturing					
Durable Goods:					
Lumber & Wood Products	17.4	17.1	17.7	18.2	18.1
Furniture & Fixtures	37.9	38.8	41.7	43.5	44.2
Stone, Clay, and Glass Products	18.6	19.1	20.7	20.9	22.1
Primary Metals	36.9	36.7	37.3	38.3	38.8
Fabricated Metals	127.5	127.6	128.1	131.2	131.3
Industrial Machinery & Computer Equipment	133.7	134.9	135.1	133.1	134.5
Electrical Equipment except Computer	33.6	34.0	35.4	35.7	35.8
Transportation Equipment	294.9	289.2	287.8	299.7	298.3
Other Durable Goods	26.9	26.0	25.8	25.5	25.3
Total Durable Goods	727.4	723.4	729.6	746.1	748.4
Nondurable Goods:					
Food & Kindred Products	42.8	41.3	40.1	37.9	37.1
Textiles & Apparel	19.6	19.3	19.4	19.6	19.8
Paper & Allied Products	21.4	21.8	20.7	20.2	20.0
Printing & Publishing	43.8	43.7	43.7	43.1	42.3
Chemicals & Petroleum	45.1	44.8	45.4	45.4	44.7
Rubber & Miscellaneous Plastics	67.9	68.0	66.8	65.9	64.5
Other Nondurable Goods	3.7	4.0	4.0	3.6	3.0
Total Nondurable Goods	244.3	242.9	240.1	235.7	231.4
Total Manufacturing	971.7	966.3	969.7	981.8	979.8
Mining	7.6	7.6	7.8	7.0	7.7
Construction	168.0	179.8	186.1	196.5	211.4
Total Goods Producing Industries	1,147.3	1,153.7	1,163.6	1,185.3	1,198.9
Service Producing Industries:					
Transportation, Communications, and Utilities	170.4	173.5	177.7	178.9	180.7
Wholesale Trade	219.6	228.6	232.6	234.9	238.8
Retail Trade	805.6	817.4	822.8	840.0	855.1
Finance, Insurance, and Real Estate	202.4	205.7	208.5	208.0	205.3
Services	1,171.6	1,221.9	1,249.0	1,267.2	1,316.5
Government	643.8	647.4	656.0	667.6	683.9
Total Service Producing Industries	3,213.4	3,294.4	3,346.6	3,396.6	3,480.3
Total Wage and Salary Employment	4,360.7	4,448.2	4,510.2	4,581.9	4,679.2

Source: Michigan Department of Career Development, Employment Service Agency (wage and salary benchmark of March 2000).

INDEX OF FUNDS AND COMPONENT UNITS

	<u>Page</u>
Advance Financing Funds	142
Assigned Claims Facility and Plan Fund	132
Bottle Deposits Fund	113
Central Michigan University	39
Child Support Collection Fund	168
Children's Trust Fund	145
Combined Comprehensive Transportation Bond and Interest Redemption Fund	148
Combined Comprehensive Transportation Bond Proceeds Fund	102
Combined Environmental Protection Bond Fund	112
Combined Recreation Bond Fund – Local Projects	112
Combined Recreation Bond Fund – State Projects	142
Combined State Trunkline Bond and Interest Redemption Fund	137
Combined State Trunkline Bond Proceeds Fund	102
Comprehensive Transportation Fund	101
Correctional Industries Revolving Fund	151
Counter-Cyclical Budget and Economic Stabilization Fund	26
Eastern Michigan University	175
Environmental Quality Deposits Fund	168
Escheats Fund	163
Federal Housing Administration Mortgages Escrow Fund	164
Ferris State University	177
Financial Institutions Deposits Fund	169
Forest Development Fund	112
Game and Fish Protection Fund	111
Game and Fish Protection Trust Fund	111
General Fund	26
Gifts, Bequests, and Deposits Investment Fund	163
Grand Valley State University	177
Homeowner Construction Lien Recovery Fund	123
Hospital Patients' Trust Fund	163
Information Technology Revolving Fund	152
Insurance Carrier Deposits Fund	168
Judges' Retirement Fund	159
Lake Superior State University	177
Legislative Retirement Fund	158
Liquor Purchase Revolving Fund	31
Mackinac Bridge Authority	173
Mackinac Island State Park Commission	172
Marine Safety Fund	111
Michigan Civilian Conservation Corps Endowment Fund	145
Michigan Economic Development Corporation	174
Michigan Education Savings Program	164
Michigan Education Trust	39
Michigan Employment Security Act – Administration Fund	123
Michigan Higher Education Assistance Authority	174
Michigan Higher Education Facilities Authority	173
Michigan Higher Education Student Loan Authority	174
Michigan Merit Award Trust Fund	132

INDEX OF FUNDS AND COMPONENT UNITS (Continued)

	<u>Page</u>
Michigan Municipal Bond Authority	39
Michigan Natural Resources Trust Fund	145
Michigan Nongame Fish and Wildlife Fund	112
Michigan State Hospital Finance Authority	173
Michigan State Housing Development Authority	39
Michigan State Parks Endowment Fund	145
Michigan State Waterways Fund	111
Michigan Strategic Fund	173
Michigan Technological University	178
Michigan Transportation Fund	101
Michigan Underground Storage Tank Financial Assurance Finance Authority	113 & 138
Michigan Underground Storage Tank Financial Assurance Fund	112
Michigan Unemployment Compensation Funds	31
Michigan Veterans' Trust Fund	145
Miscellaneous Special Revenue Funds	132
Motor Transport Fund	151
Northern Michigan University	178
Oakland University	178
Office Services Revolving Fund	151
Public School Employees' Retirement Fund	159
Recreation and Environmental Protection Bond Redemption Fund	137
Risk Management Fund	152
Safety Education and Training Fund	123
Saginaw Valley State University	178
School Aid Fund	26
School Bond Loan Fund	132
School Loan Bond Redemption Fund	138
Second Injury Fund	124
Self-Insurers' Security Fund	124
Silicosis, Dust Disease, and Logging Industry Compensation Fund	124
State Aeronautics Fund	101
State Bar of Michigan	174
State Building Authority	138 & 142
State Casino Gaming Fund	124
State Construction Code Fund	123
State Employees' Deferred Compensation Funds	158
State Employees' Defined Contribution Retirement Fund	159
State Employees' Retirement Fund	159
State Lottery Fund	31
State Park Improvement Fund	112
State Police Retirement Fund	158
State Sponsored Group Insurance Fund	152
State Treasurer's Escrow and Paying Agent Fund	168
State Trunkline Fund	101
Tobacco Settlement Trust Fund	132
Transportation Related Trust Funds	102
Uninsured Employers' Security Fund	123
Utility Consumer Representation Fund	124
Western Michigan University	39
Workers' Disability Compensation Trust Funds	164

ACKNOWLEDGMENTS

The State's Comprehensive Annual Financial Report is prepared by the Office of Financial Management, Financial Control Division. Staff of the division for the fiscal year 2000-2001 report included:

Management

Laura J. Mester, CPA, Director
Lisa S. Fath, CPA, Agency Liaison Manager
Doug A. Ringler, CPA, Financial Reporting Manager

Accountants

Timothy T. Becker, CPA
Cindy S. Bloomer
Dianne M. Drews
Jane E. Hallitt
John J. Hayes, CGFM
Christopher D. Holly
Angela M. Marchlewski
Paul J. McDonald
Cynthia M. Moerdyk

Technical and Support Staff

Pamela J. Beam
Susan K. Grow
Dorothy J. Hanna
Jami Schacht

Special thanks are also extended to all the State's Chief Financial Officers and Chief Accountants, the CFO Council, the Financial Management Users Group, the financial management personnel throughout Michigan State Government, the staff of the Michigan Administrative Information Network, and the staff of the Office of the Auditor General. Preparation of this report would not have been possible without the efforts of these individuals.

This report may be viewed on-line at: www.state.mi.us/dmb/ofm/.